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# CRUISE SHIP INDUSTRY

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## HEARINGS

BEFORE THE

SUBCOMMITTEE ON MERCHANT MARINE

OF THE

## COMMITTEE ON MERCHANT MARINE AND FISHERIES HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

ON

**FOREIGN-FLAG CRUISE SHIP INDUSTRY**

APRIL 10, 1985

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**U.S.-FLAG CRUISE SHIP INDUSTRY**

MAY 7, 1985

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**SECURITY OF PORTS AND VESSELS**

OCTOBER 22, 1985

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**Serial No. 99-17**

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Printed for the use of the
Committee on Merchant Marine and Fisheries

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1986

56-394 O

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# FOREIGN-FLAG CRUISE SHIP INDUSTRY

WEDNESDAY, APRIL 10, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON MERCHANT MARINE,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
*Miami, FL.*

The subcommittee met, pursuant to call, at 9:30 a.m., in the conference room of the Metropolitan Dade County Seaport Department, Port of Miami, 1007 North America Way, Miami, FL, Hon. Mario Biaggi (chairman of the subcommittee) presiding.

Present: Representatives Biaggi and Shaw.

Staff present: Cyndy Wilkinson, Chris Goebel, Kip Robinson, Mark Aspinwall, and Linda Livingston.

## OPENING STATEMENT OF HON. MARIO BIAGGI, CHAIRMAN, SUBCOMMITTEE ON MERCHANT MARINE

Mr. BIAGGI. The meeting is called to order.

We are back in Miami again, and we are very thankful for this very sunny day. This time, we will take a look at the cruise ship industry. I understand that this Miami port is the major cruise port in the United States. However, Mr. Shaw tells me that Port Everglades is No. 1 in a couple of categories. I will leave that to Mr. Shaw.

Presently, there are 55 deep-sea cruise ships operated by 19 cruise lines serving the American market. Of these lines, 18 are foreign-owned and operated. To say that our U.S.-flag fleet is wanting is an understatement—but we hope to see that ratio change.

Although the responsibility of the Subcommittee on Merchant Marine is to promote the American maritime industry, that does not mean that we must be at odds with the foreign-flag cruise lines. Indeed, we have much to learn from them. We have some idea already of the importance of this cruise market to the ports of the United States, and we would certainly not wish to see that economic benefit terminated. I believe that both the foreign-flag industry and an American-flag industry can thrive side by side.

This meeting is a prelude to a hearing next month in Washington that will focus specifically on ways to revitalize the American-flag cruise industry. Our purpose here is to gain a fuller appreciation of the industry, including its impact on the port, labor, and related businesses. We hope, through the expert testimony of our witnesses, to gain some insight into the reasons for the success of the foreign-flag lines.

We are privileged to have with us one of your own, my good friend Clay Shaw, who used to serve on this committee. He was a



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most valuable member, and he continues to manifest considerable interest in the activities of this committee, which is reflected in his presence today. At this point I yield to my colleague, Mr. Shaw.

## OPENING STATEMENT OF HON. E. CLAY SHAW, JR., A U.S. REPRESENTATIVE FROM FLORIDA

Mr. SHAW. Thank you, Mr. Chairman. It is indeed my honor and privilege to welcome you to sunny south Florida. It was sunny yesterday but I looked at the weather report before coming down here, at New York, and believe me, this is a beautiful day.

The cruise ship industry is of course a most vital industry in Florida. It is becoming more important each year. This year it is estimated that 1.6 million passengers will travel from North America on cruise ships. And 66 percent of those passengers will go through Florida at some point on their journey. Florida boasts two of the top three ports in the world in terms of the number of passengers served. Miami is No. 1 and Port Everglades, the port in my district, is No. 3.

Naturally, this level of activity not only affects the economy of the ports themselves, but the repercussions are felt deep within the State. The airlines, the merchants, the restauranteurs, and the travel agents are just a few of the industries significantly impacted by the booming cruise ship industry.

As the cruise industry is so important to Florida, I truly appreciate the opportunity to participate in these hearings and to learn more about the cruise industry, particularly the foreign-flag side, which we will be looking at during these hearings. Since, as Chairman Biaggi pointed out, 18 of the 19 cruise lines operating out of the North American market are foreign-owned and operated, I feel we may have much to learn.

I applaud the success of the foreign-flag industry; also I, as you, Mr. Chairman, hope that by promoting the cruise industry in general the United States will see the revitalization of the American-flag industry.

Again, Mr. Chairman, on behalf of Florida it is my privilege to welcome you at this hearing.

Mr. BIAGGI. Thank you, Mr. Shaw.

I ask unanimous consent that the following be placed in the hearing record: a statement from the Center for Seafarers' Rights of the Seamen's Church Institute of New York and New Jersey; a statement from the Center for Disease Control, Department of Health and Human Services. Without objection, it is so ordered.

[The statements can be found at the end of the hearing.]

Mr. BIAGGI. This morning we have an old friend as the first witness, accompanied by the mayor of Dade County. Mr. Carmen J. Lunetta, port director, Metropolitan Dade County Seaport Department.

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**STATEMENT OF CARMEN J. LUNETTA, PORT DIRECTOR, METROPOLITAN DADE COUNTY SEAPORT DEPARTMENT, MIAMI, FL, ACCOMPANIED BY STEPHEN P. CLARK, MAYOR, DADE COUNTY, FL**

Mr. LUNETTA. Mr. Chairman, I am Carmen J. Lunetta, director of the Port of Miami. On behalf of the Port of Miami and my colleagues in the Miami maritime community, I would like to extend my appreciation to the subcommittee, Clay Shaw for being down here, the local Congressman, and particularly to you, Mr. Chairman, for taking the time from your busy schedule to conduct today's field hearings on the passenger cruise ship industry in our city. However, before giving my testimony, I would like to recognize the Hon. Stephen P. Clark, mayor of Dade County, to welcome you to our community.

Mr. Mayor.

Mayor CLARK. Thank you, Mr. Lunetta.

Mr. Chairman, Mr. Congressman and distinguished members of this panel, I have been requested by Congressman and Senator Claude Pepper, who cannot be here today, to submit the follow remarks to the Merchant Marine Subcommittee having the hearing today:

STATEMENT OF HON. CLAUDE PEPPER, A U.S. CONGRESSMAN FROM FLORIDA

Mr. Chairman and Members of this subcommittee, I was pleased to hear that my friend, Congressman Biaggi was planning to hold this oversight hearing regarding the cruise ship industry. I am sorry that I cannot be present today to present this statement in person. However, I want to express my continued support and appreciation to the cruise ship industry for its most significant contributions to the economies of South Florida and the Caribbean Basin nations.

The cruise ship industry is directly responsible for hundreds of millions of dollars spent annually at port-related services and expenses, such as ship maintenance and repair, provisions and supplies, payroll, travel agent commissions, air carriers, et cetera. For instance, during 1983, 71 cruise vessels bearing over 3 million passengers generated over $750 million in U.S. ports, and direct purchases alone, including food and beverage services, stevedoring charges and telephone services, $143 million was generated in one recent year.

The lines provide tens of thousands of jobs to the domestic economy, specifically 12,000 people are directly employed by the industry, and 20,000 are indirectly employed exclusive of the travel agents.

We would like to follow up with a very lengthy report.

You know the Senator's reports are not very short. This is short today, but for the Congressional Record, but I would like to let you know that he is sorry he couldn't be here today. He wishes you well and will continue, but following that up, Mr. Chairman, if I might say a word, you are going to receive testimony today from a group of individuals representing many, many fine companies that have over the past 25 years generated a new sensation, a new generation, and a new life style for this great State and this great Nation.

What these fine men and ladies have done with the shipping industry, cruise line industry, in 25 years, is absolutely a phenomenon. You can't believe, if you knew what the record was and what it is today--and I suggest that their testimony is going to be very telling on you when you meet in Washington, as Congressman Shaw said, in about a month, to come up with some very telling remarks about the cruise ship industry.

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We want to welcome you here, sir. This sunny day will be sunny about 12 o'clock. Thank you for inviting me.

Mr. BIAGGI. Just about the right time.

Mayor CLARK. Yes, sir, time for golf this afternoon.

Mr. BIAGGI. First, I want to thank you for appearing before this subcommittee. It clearly indicates your deep interest in the issue, and your exuberance in continuing upon the phenomenon that has occurred over the past 25 years is evidence unto itself of your deep interest. In addition to that, we are thankful for the remarks of our colleague, Claude Pepper, who should be regarded as a national treasure.

Mayor CLARK. Indeed, sir.

Mr. BIAGGI. He may be your congressman, but he belongs to all America.

Mr. LUNETTA. Mr. Chairman, if you will allow me a few moments before I give my statement, to wear my second hat as second vice chairman of the American Association of Port Authorities [AAPA] to congratulate you for your leadership role in reintroducing a port harbor development bill—known as the Roe bill—that is very acceptable to the U.S. port industry.

Mr. BIAGGI. Mr. Lunetta, before you go further, it is going to be a question of a little turf, jurisdictional clarification. The port bill emanated from this subcommittee. I was the author of it. Clay Shaw was then a member of the committee. We produced it, and we permitted it to be incorporated into the water bill. It is now held hostage in the Roe bill.

We permitted that only in order that he could pass his so-called "pork barrel bill", the notion being that everyone is for the port development bill, and they will vote for the larger version simply because the port development bill is in it. That was just for the record.

Mr. LUNETTA. Very good, sir. However, we think one of the key features that you raised is the use of customs receipts to fund the Federal dredging role. AAPA thinks that is entirely appropriate because the record shows that the Federal Government is the greatest single beneficiary of the navigation system.

The Federal Government realizes $8.3 billion each year in direct revenues collected at our ports in the form of customs receipts. The navigation system is thus an essential utility to the Federal Government. To compare what the $8.3 billion means, it is 17 times the amount of money presently being spent by the Federal Government on dredging and it is approximately nine times the dollar revenues of all public port authorities in the United States.

I believe your reintroduction of the Roe bill, if passed, will accomplish the very essence of a new National Port Policy, one which will accomplish our Nation's best interests in meeting our needs for our Nation's seaports to be competitive again in international trade, with our counterparts in Europe and the Far East, but more importantly, it is a requirement, as you stated, to meet the needs of this country's international policy and prominence again in trade which is so vital to our economy. And for that, all my colleagues in the AAPA, we appreciate your leadership role and foresight on this important issue for our Nation.

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It is appropriate that this hearing is being held in Miami today, because in just the 25 years our community has become the home to more than one-third of the free world's fleet of passenger cruise ships, we have at the same time emerged as a vital American gateway to the Nations of the Caribbean Basin and Latin America. The Miami-based cruise industry has played a very vital part in the emerging role of our community in inter-American affairs.

With the increased activity throughout the Caribbean Basin resulting from the cruise industry, it became important to develop the Port of Miami in a manner that would assure our continued ability to accommodate larger numbers of vessels and passsengers. Guided by a master development plan, the Port of Miami has successfully expanded to accommodate this increased demand.

At the same time, we expanded our cargo-handling facilities in order to meet the demands of commercial trade between the United States and the Nations of the Caribbean Basin. This commercial trade, like the cruise industry, has been expanding for more than two decades.

The fact that the Port of Miami is of significant importance to the region, providing in excess of $2 billion of economic impact, and more than 40,000 jobs each year, can be attributed directly to the growth of the cruise industry.

Today goods and commodities moving through Miami account for over $6.5 billion in value. Approximately one-half of the cargo shipped through Miami is imported, one-half exported; thus a favorable trade balance has been created.

Because of the Port of Miami's unique geographic location and modern shipping facilities, the port has continued to play a major role in the development of the Great Miami community as an international banking and business center.

The Miami-based cruise industry has never been healthier. Indeed, it is my view that the cruise industry will continue to play a pivotal role in the economic expansion of not only this community, but the nations of the Caribbean Basin as well.

As the Nation's southernmost port, Miami is closest in proximity to the nations participating in the Caribbean Basin Initiative Program, and accordingly has become an integral part of the workings of the C.B.I.

The United States has become the chief supplier of agricultural and manufactured goods to the Caribbean. The Port of Miami is a key component in the movement of those goods, with over 335 freight forwarders, two railroads, and the most modern and largest container facility of any port in the Southeast United States.

Eighteen lines are presently moving between the Port of Miami and 60 ports in the Caribbean, with our frequency of daily and weekly service so essential to the gross national product of the Caribbean since 95 percent of their gross national product relies heavily on imports.

Today the port is handling 2.6 million passengers and our master plan projects that by the turn of the century, just 15 years from now, more than 4 million passengers will sail from the Port of Miami annually.

However, Miami looks forward to the $1.5 billion of ships presently being built or committed with some 15,000 additional cabins

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in the next 3 to 5 years, which most assuredly will surpass 4 million mark by the end of the eighties.

This remarkable growth of the cruise industry will have a tremendous impact on the nations of the Caribbean Basin.

It is essential that the Caribbean nations develop to gain strength and freedom from external forces. Our hemispheric destiny is inextricably tied to their future. The CBI will encourage those nations to develop and expand their seaport facilities, in order to accommodate the new fleet in the next 3 to 5 years for their economic well being.

Secondly, Caribbean Basin nations supply more than 40 percent of cruise ship personnel. A Caribbean crew member who might earn as little as $1 or $2 a day in his or her home nation—for example, the minimum wage in Jamaica is $2 per day—earns, on the average, a minimum of $1,100 per month in base wages.

Most cruise ship personnel are protected by very strong international union agreements and are provided medical benefits, clothing allowances and room and board, as you will hear in further testimony from our cruise executives a little later in the day.

Much of the money earned by cruise ship personnel is sent home to their families whose standard of living has been improved.

Third, new jobs in the Caribbean Basin nations are created by the expansion of the cruise industry. Local restaurants, merchants, taxi drivers, tour guides, and others with a connection to the cruise industry, flourish. This prosperity creates a chain reaction of employment for thousands, who in turn purchase American products and goods which creates a tremendous economic cycle between the United States and the Caribbean.

The cruise industry has had a major impact on the development and vitality of the Caribbean Basin. Our continued support of this industry means more than increased revenue and profits for the cruise lines and seaports.

The well-being and security of the countries of the Caribbean Basin from outside forces are vital to the United States' self-interest, and our hemispheric destiny is inextricably tied to their future.

Security, democracy and economic development are clearly linked. Progress toward democracy is best achieved when a country's economy is developing well and when a nation does not have to divert precious resources to defend against a threat to its security.

The sea lanes of the Caribbean are a lifeline of our trade and the security of the region. Unquestionably, the Miami-based cruise industry has played an important role in maintaining this lifeline. Given the cruise industry's bright future, and the overwhelming yearning of the people of the Caribbean Basin to enjoy the benefits of freedom, the role the cruise industry is yet to play will be more important than at any time in the past.

Toward enhancing this role, and fulfilling the aspirations of the people of the Caribbean Basin, and this community, the Port of Miami has never been more committed.

Again, allow me to thank you for the subcommittee's interest in the development of the cruise industry, and for allowing me this opportunity to share my thoughts on this important subject with you. I am confident that all of us share the same goals and are

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committed to working together toward insuring the continued success of the cruise industry as a mode for tourism, and as a vehicle for improving the well-being and security of all of the people of the Caribbean Basin.

At this time, I would be happy to answer any questions you may have.

Mr. BIAGGI. First, what you didn't say, what we all in this business know is that with the expansion came a great deal of responsibility. These things don't just happen by themselves. This port has developed into the magnificent port that it is because of excellent management. I think you are to be congratulated, Mr. Lunetta.

Mr. LUNETTA. Thank you very much, Mr. Chairman.

Mr. BIAGGI. Sometimes we take these things for granted. We have seen other ports that haven't fared as well and aren't managed as well.

How do you get new business? Do you solicit or do they come to you by virtue of your location?

Mr. LUNETTA. The question almost begs just a little bit of background to lead up to that. We are looking at the Port of Miami in such a form of three generations of vessels. In the fifties and sixties we called it our first generation of vessels, which were vessels that came into the old port today, the Bicentennial Park, some 22 acres over on Biscayne Boulevard. Predominantly these ships sailed between Miami and Cuba. When Cuba was cut off, we moved into the Bahama market. That was our first generation of vessels.

In the late sixties, our second generation of vessels, the *Skyward*, the *Southward*, the *Song of Norway*, the *Norwegian Prince*, and a few others, which were built at that time for something around $100 million, really opened up the Caribbean. And as the trans-Atlantic crossings and that mode of transportation was pretty much put out of existence with the jet airplane, there was a very strong transition of the cruise industry to go from a motivated transportation system to a leisure-type transportation system.

Basically, when the cruise industry looked at cruising grounds, probably the real jewel of cruising is the West Indies, the Caribbean. Our geographical position is very pleased that we are very close to these islands, which gives us a very attractive itinerary.

Couple that, with the air-sea package flying our passengers in from 125 cities free into our community has developed this port into becoming the port and the size that it is.

The third generation of vessels show what I am mentioning to you now are vessels that are being built. For instance, the first one that came on line was the *Tropical* and the *Song of America*, which are substantial commitments made by our industry that achieved in most cases—I think as you heard last night, $150 million, $200 million, $300 million, and it was a drought between 1972 and 1980, to when the executives and the board members in the boardrooms could really put the pencil to the paper and believe in the belief that they had, with the same commitment in the sixties to develop the second generation of vessels, to develop now the new and third generation of vessels that are coming out.

In a long and roundabout way, getting back to your question, this port today, with its major steamship lines, finds it very difficult just keeping up with the necessary infrastructure and capital

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improvement to keep up with the ships that are coming into this area. So while the sales and marketing are probably minimal on our part, we come to the second part of the coin, where we have a very awesome duty of being able to develop these capital improvements to provide for the new vessels that are coming in.

So, basically, the lines that are here and in their development of their new generation of vessels is pretty much the growth that we are looking forward to in the next 3 to 5 years, and that alone, as you heard, two-thirds of all cruise passengers in the United States are plying through Miami here. So from that alone there is very little salesmanship I think required in going out and selling the Port of Miami.

Mr. BIAGGI. Mr. Mayor, you look like you want to say something.

Mayor CLARK. Mr. Chairman, this industry has caused something that I don't think we all realize. I was talking to Mr. Stephan of Royal Caribbean earlier today, and what it has done in the phenomenon is this: People live longer, people produce more, by using the cruise lines, and let me explain this to you.

Whereas people years ago used to plan for a 3- or a 4-week vacation, they plan 4- or 5-, 7-day vacations a year. They produce more, they want to work harder and they are going to live longer. The medical profession has agreed with the fact that this industry, above all industry, has done one thing—it has given longevity to people, and has reduced stress. I think that is very important to your decisions.

Mr. BIAGGI. That is one hell of a sales point.

Mayor CLARK. It is.

Mr. BIAGGI. Mr. Shaw.

Mr. SHAW. Thank you.

I appreciate these two gentlemen coming over and testifying this morning. I have known Mayor Steve Clark for many, many years, back when I was mayor of Fort Lauderdale, and even before that. His reputation certainly I think can be described by the number of times that the voters here in Dade County have returned him to his post. Being mayor is not an easy job. Let me tell you, it is one of the places where your shortcomings are immediately found by the voters.

In Washington sometimes we fool the people, but when you are mayor you can't. You have got to be right there, right on the line, and you certainly have been a good friend of mine over the years.

I remember this port, and listening to the port director talk about how it has evolved. I was born right here in Miami and watched the port grow from a rather hit-and-miss patchwork quilt along Biscayne Boulevard, to the tremendous facility here, which is certainly a world-class port, one of the most beautiful in the entire world.

Mr. Lunetta, you and the Dade County Commission and the mayor are certainly to be congratulated for allowing and requiring such growth to come over the years. I was going to ask you a question as to whether there was any subsidy or special tax treatment that might have been given to the cruise operators to come here. I think you probably answered that question, but perhaps you could give me a more definite answer on that particular aspect.

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Mr. LUNETTA. The port is self-sufficient today and has not received any tax dollars other than the initial seed moneys in the early sixties, some $14 million to develop what you are on, Dodge Island, today. At no time has the port either given subsidies to or moneys to the cruise industry.

It is something that has evolved in the middle sixties, going back to the Norwegian Caribbean Cruise Line, who was the first to come in with one of the modern-day fleet ships at that time. The only commitment that was made was a community commitment by this community that in fact they would develop the most modern and most sophisticated passenger terminal, and for the owner, Mr. Kanu Klauster, from Oslo, Norway, his commitment was that he would come in with the new ship.

Our good mayor here was fortunate enough to be staying out on the limerock with us when we were making these commitments on a handshake. That was the beginning of what happened to the cruise industry to become the cruise capital of the world. I think it is probably one of the most fantastic stories, particularly due to the fact that no moneys were exchanged in subsidies of any form but just a tremendous amount of faith and business commitment on the part of a lot of people who had a lot of belief on what the future had to offer.

Coming from Oslo, it is not very difficult to come into Miami in the spring and get very energetic about what a beautiful place and what a beautiful opportunity you have of creating a business atmosphere.

Mr. SHAW. Thank you. That is the only question I have, Mr. Chairman.

Mr. BIAGGI. Mr. Lunetta, I wonder if you would give me a quick rundown on just what the process is after a vessel arrives in port and before it departs. What preparations do you make, and how long it takes?

Mr. LUNETTA. It is amazing, the story, when you think of a ship coming into a port with in some cases up to 2,000 passengers, which is the *Norway*, coming in at 8 a.m. and leaves at 5 o'clock and it is offloading 2,000 passengers as American travelers basically, and that is what we are handling; we are not the best packers in the world. We usually have five or six pieces of luggage, so you can imagine the amount of luggage that we have coming in.

The routine is that most ships are in at dockside between 7:30 and 8:30. By 11 o'clock we will offload, and this is done by our longshoremen-stevedores working for the indivdual stevedoring companies handling the industry steamship lines, and have some 12,000 to 14,000 passengers and their luggage back at the airport by no later than 11 o'clock to catch their flights, and that would be the departing mode of the day.

The ship is then turned around very quickly, within a matter of 3 or 4 hours, and around 1:30 we start receiving again another 12,000 to 14,000 passengers embarking on or ships, with the beginning starting around 3:30 p.m., of leaving for their destinations, and probably the last ship out of the port somewhere around 5 or 5:30.

To watch this operation is really mindboggling, and when you think of the ground transportation that is required between the

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airport facility and the seaport facility, since about 85 percent of our passengers are in an air-sea mode, and as we go on, and as I mentioned, some 4 million passengers, and of course, to keep it in proper perspective, we count them in and out, Congressman Shaw, and our 1.6 is absolutely correct because that translates into 3.2 in port terms of passengers, there will be required people movers between airport facilities and the seaport, to be able to move passengers from that location to this location.

For instance, it is a west coast passenger, and we have tremendous amount of west coast passengers of the United States coming over to Miami. The luggage is taken from them in California, Seattle, Vancouver, wherever they are leaving from, and the next time they see that luggage it is in their stateroom. This is something that has been worked out for many years by the cruise industry and they do it very, very successfully.

We find, and myself in particular, that I can see people coming off a cruise ship, 1,000 passsengers coming off a cruise ship quicker than I can clear a 727 plane at the airport and waiting for my luggage at the luggage rack. So on any given Saturday this port processes some 25,000 passengers in and out of our airport.

Because of the short side of a sufficient amount of airline services into our community out of necessity or cruise lines bring in 3,000 to 4,000 people on Friday night, house them in our hotels and motels in our community, so that they will be here and available to board on Saturday.

So, basically, that is the working relationship between the cruise lines and the stevedoring companies. The port is not an operating port as such. We handle the operational end of docking of the ships, providing the facilities, keeping up with the facilities, the housekeeping, the turning around of the terminals from a debarking to an embarking mode, and all of this is accomplished roughly in a 7½- to 8-hour period.

Mr. BIAGGI. I want to thank you, Mr. Lunetta, for an excellent statement and testimony. Mr. Mayor, we have been impressed by your presence.

Mayor CLARK. Thank you, Mr. Chairman.

Mr. BIAGGI. Edward B. Gable, Jr., Director, Carriers, Drawback and Bonds Division of the U.S. Customs Service. He is accompanied by Mr. Thomas J. O'Brien, supervisory customs inspector, Miami Customs District; Capt. Alexander E. Tanos, U.S. Coast Guard, Chief, Merchant Marine Safety Division, Seventh Coast Guard District. Mr. Gable.

**STATEMENT OF EDWARD B. GABLE, JR., DIRECTOR, CARRIERS, DRAWBACK AND BONDS DIVISION, OFFICE OF REGULATIONS AND RULINGS, U.S. CUSTOMS SERVICE, WASHINGTON, DC, ACCOMPANIED BY THOMAS J. O'BRIEN, SUPERVISORY CUSTOMS INSPECTOR, MIAMI CUSTOMS DISTRICT, U.S. CUSTOMS SERVICE, MIAMI, FL**

Mr. GABLE. Mr. Chairman, I have a prepared statement which I can either read or enter into the record and comment on, whichever you would prefer.

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Mr. BIAGGI. We will enter it into the record, and you can summarize it. Without objection, it will be included in the record.

Mr. GABLE. Thank you, sir.

As you know, Mr. Chairman, the mission of the Customs Service is twofold. It is law enforcement and revenue collection. We administer and enforce laws for which we have a direct responsibility, for example the Tariff Act and certain navigation laws. We also, since we are the Federal presence at the border, administer and enforce hundreds of laws for some 40 other Federal agencies.

Information on all the transactions handled by customs offices at our 300 ports of entry is not always routinely sent to Washington. I therefore have included in my prepared statement certain general information about arriving vessels and passengers. However, after receiving your invitation to testify, I sent a telex to our seven regions and requested specific information from them on the treatment by customs of cruise vessels, the number of vessels, this type of thing. That information I understand—I called my office yesterday—just about all is in now from our regions, and with your permission, Mr. Chairman, I would like to present to the committee next week the statistical information that I have obtained.

Mr. BIAGGI. Without objection.

Mr. GABLE. Thank you, Mr. Chairman.

[The information follows:]

CUSTOMS SERVICE REGIONS RESPONSES TO REQUESTED INFORMATION

There are seven Customs Regions, as follows: Northeast (Boston); New York, Southeast (Miami); South Central (New Orleans); Southwest (Houston); Pacific (Los Angeles); and North Central (Chicago). Each Region has a number of Customs Districts (today there are 45) and each District has a number of ports (about 300 today). The information the Customs Service requested from the seven Regions and the replies by Region are as follows:

A. Information Requested: (1) Number of cruise vessels entered and/or cleared for foreign in past 12 months. (2) Breakdown of above by United States-flag or foreign-flag. (3) Amount of time generally spent by above vessels in ports in region. (4) Number of penalties assessed under the passenger cabotage law (46 USC 289; 19 CFR 4.80a) against above vessels. (5) Treatment of gambling equipment on board above vessels while in port.

B. Northeast Region: (1) 29 vessels. (2) All foreign-flag. (3) 4 to 10 hours in port. (4) 1 penalty. (5) Sealed, locked, or otherwise placed in a non-operative condition upon arrival.

C. New York Region: (1) 215 vessels. (2) All foreign-flag. (3) Generally, 8 hours in port. (4) None. (5) Placed under Customs seal while vessel is in port.

D. Southeast Region: (1) 2,648 vessels (Miami 1,421; San Juan 650; Tampa 155; Port Everglades 153; Key West 115; Charleston 6; Norfolk 4; Wilmington 2); (2) All foreign-flag. (3) San Juan 18 hours in port, 6 to 10 hours at other ports in Region. (4) 56 penalties. (5) Power turned off in Miami; sealed and locked in other ports.

E. Central Region: (1) 28 vessels. (2) All foreign-flag. (3) 12 hours in port. (4) None. (5) Locked while vessel is in port.

F. Southwest Region: (1) One vessel. (2) Foreign-flag. (3) 8 hours in port. (4) None. (5) Room sealed with U.S. Customs seals.

G. Pacific Region: (1) 808 vessels (Los Angeles 279; San Francisco 44; Anchorage 160; Seattle 2; Honolulu 15; San Diego 296; and Portland, Oregon, 12). (2) All foreign-flag except three United States-flag in Anchorage District and one United States-flag in San Diego District. (3) 8 to 12 hours in port. (4) Four penalties. (5) Sealed, locked or otherwise placed in a non-operative condition while vessel in port.

H. North Central Region: No cruise vessel activity during past 12 months.

While it is believed that the above information is reasonably accurate and should give a broad indication of Customs activity regarding cruise vessels, it was obtained by the Regions from the various ports of entry on an urgent basis. If more detailed or any other information is required, please let us know.

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Mr. GABLE. Mr. Chairman, your letter stated that the purpose of the hearing would be to collect data on the economic impact of the cruise ship industry on American ports, shipyards, labor. The Customs Service doesn't ordinarily collect that type of information, Mr. Chairman.

We do receive certain information that might reflect economic impact and anything we have we will certainly turn over to your committee. The Maritime Administration and the Department of Commerce, we understand, in fact do collect such economic information for the Federal Government, and we would defer to them on information of that type, if that is agreeable.

Mr. Chairman, when any vessels come into a U.S. port, including cruise vessels, they of course have to report to customs their arrival. We then have customs inspectors and marine officers that handle a number of different things that have to be done with regard to the vessel. A boarding party will go on board. They will collect the manifest. They will process the crew and also the passengers, if it is a passenger vessel.

They have responsibilities for checking SOLAS certificates verifying load lines, checking the cargo declarations and other documents of that type, collecting tonnage tax on the vessel. The statement that I made is only a small indication of what customs officers are responsible for doing when a vessel arrives in the United States.

Periodically over the years we have issued handbooks for the use of our inspectors, summarizing all of this material. The latest handbook we issued to our inspectors is dated 1981, and it is 109 pages long, with 43 exhibits. We of course will turn over a copy of that to your committee, if you wish to have one. The reason I mention that is to give some idea of the responsibilities of customs officers when they go on board.

Mr. O'Brien, who is supervisory customs inspector here at the Miami Seaport, has a great deal of experience in meeting arriving vessels, including cruise vessels, and he can talk at length and respond to any questions you might have on the specific nature of that operation. He can discuss what customs officers physically do when they go on board.

Mr. Chairman, from time to time over the years I have heard complaints from people about customs procedures with regard to vessels, that they are too detailed, that there is not enough flexibility, that it is quite different with aircraft and how they are handled by customs. We feel there is justification to those complaints.

The problem we have is that our entry and clearance laws are based on two acts of Congress: One is dated February 18, 1793 and the other is dated March 2, 1799. Many of the procedures applied today at our seaports by customs officers are required by those original acts. They are very specific and detailed laws.

The Customs Service on many occasions over a great number of years has tried to update and simplify those requirements through the preparation of entry and clearance bills.

Mr. BIAGGI. Have you been effective in clarifying them?

Mr. GABLE. We have not been at all effective. Every attempt has been met with failure. The last time that we sent bills up to the Speaker of the House and the President of the Senate was by let-

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ters from the Secretary of the Treasury, then Mr. Shultz, dated February 20, 1974. The letter to the Speaker was somehow or other sent to Ways and Means because someone saw the word "customs," instead of to your committee, and the letter from the Secretary to the Senate was sent to Finance instead of Commerce. By the time that was straightened out in 1974, Congress had adjourned and that effort died.

Mr. BIAGGI. You are telling this committee that existing laws of ancient vintage should be amended and clarified?

Mr. GABLE. Yes, sir. We feel that very strongly, and have held that for many, many years, Mr. Chairman. I am not sure I should really be getting into this in any detail in this particular hearing.

Mr. BIAGGI. I was just curious. I understand.

Mr. GABLE. Updating those navigation laws certainly would have an impact on the more rapid clearance of vessels. It would be better. We were very encouraged by the fact that the Coast Guard recently was able to do this with the body of laws they administer, the documentation laws in the Vessel Documentation Act of 1980, effective July 1982. That law did for the Coast Guard the exact same thing that we are talking about.

It didn't make substantive changes. It simply updated and simplified their procedures, and that is what we would like to do.

We have now prepared another entry and clearance bill. If it is approved by the Commissioner of Customs, it will be sent to Treasury for appropriate review, and then we hope to have it sent up to the Congress for your consideration.

Mr. BIAGGI. Why don't you send us a copy of it before you send it to all these other agencies?

Mr. GABLE. We would be delighted to do that, yes indeed.

Mr. BIAGGI. We have a way of moving a little more expeditiously.

Mr. GABLE. That would be excellent.

I appreciate that. I believe that concludes what I wanted to say at this point, Mr. Chairman. We will try to respond to any questions you might have.

[The statement of Mr. Gable follows:]

STATEMENT OF EDWARD B. GABLE, JR., DIRECTOR, CARRIERS, DRAWBACK AND BONDS DIVISION, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

Good morning. I am Ed Gable, Director of the Carriers, Drawback and Bonds Division of the U.S. Customs Service. With me is Mr. Thomas J. O'Brien, Supervisory Customs Inspector in charge of our Seaport Operations Branch in Miami, Florida. We are pleased to offer the views of the Customs Service at your oversight hearing on the cruise ship industry.

As you know, the Customs Service is the primary border enforcement agency and a major collector of revenue. Customs administers and enforces the Tariff Act of 1930, many provisions of the navigation laws of the United States, and some 400 other provisions of laws and regulations of 40 other Federal Agencies governing international traffic and trade. The many statutory responsibilities of the Customs Service include that of controlling, regulating, and facilitating the movement of carriers between the United States and other nations and certain carrier movements between points within the United States.

Detailed statistical information on all the great many transactions handled by customs officers at our nearly 300 ports of entry is not routinely sent to Customs Headquarters. However, we can furnish the subcommittee some broad statistical information at this time on arriving vessels and their passengers. In the following fiscal years, the number of all vessels arriving from foreign were: 1982, 236,000; 1983, 238,000; 1984, 226,000. In the following fiscal years, the number of persons arriving by vessel from foreign were: 1982, 3,787,000; 1983, 3,402,000; 1984, 3,348,000.

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The average time for the processing of a passenger arriving by sea in 1984 was 55 minutes with 74 enforcement actions per 1,000 declarations. More detailed information on cruise vessels and their passengers has been requested from our regions and will be, with your permission, submitted for the record as soon as possible.

Your invitation to this hearing referred to the economic impact of the cruise ship industry on American ports, labor, shipyards, and related businesses. There are other Federal agencies that have responsibilities directly relating to that subject, such as the Maritime Administration and the Commerce Department, and we defer to those agencies except where the responsibilities of the Customs Service are clearly involved.

Part 4 of the Customs Regulations sets forth the Customs procedures applicable to any vessel, including a cruise vessel, arriving from a foreign port. Normally, these procedures always require certain activities by customs officers. The vessel must report arrival to Customs and make entry by presenting its inward foreign manifest to customs officers. A request for preliminary entry (to permit the discharge of the vessel to begin before the vessel has been formally entered) by the vessel agent must be acted on. The load line and tonnage mark must be oberved and noted. The vessel's register, SOLAS certificate, and Oil/Water Pollution Certificate must be verified. Tonnage tax must be collected. This brief statement of some of the major activities of customs inspectors and marine officers involved in the entry of vessels in no way covers all of their responsibilities. The latest handbook we prepared for customs inspectors and marine officers, issued in 1981, consists of 109 pages with 43 exhibits (a copy can certainly be furnished to the Subcommittee if you wish). Mr. O'Brien, who has had a great deal of Customs experience with vessel arrivals, is prepared to respond to any questions you may have on the processing of arriving cruise vessels by customs officers.

The customs procedures applied to cruise vessels, and all other vessels arriving in the United States, are based on provisions of the navigation laws. The navigation laws administered by the Customs Service date back to the Acts of February 18, 1793, and March 2, 1799. While I don't intend to get into detail about the requirements of those laws since that is not the subject of this hearing, I believe a few brief comments might be in order. In our opinion, the navigation laws prescribe procedures to be applied to the entry, clearance, and related movements of vessels with a specificity which allows little or no administrative discretion in enforcement. Rapid technological advances in water transportation make imperative that a greater degree of administrative discretion and flexibility be permitted in the regulation of these matters than is afforded by existing law. The Customs Service has tried for many years to obtain required legislation, referred to as Customs Entry and Clearance Bills, but has not been successful. In view of the success of the Coast Guard in obtaining passage of the Vessel Documentation Act of 1980, effective July 1, 1982, which was also aimed at updating and simplifying procedures under the navigation laws, the Customs Service is again working on a draft Customs Entry and Clearance Bill which we will, if approved by the Commissioner, forward to the appropriate Treasury Department officials for review.

Finally, we know you are aware of our proposal to amend the Customs regulation, cited as 19 CFR 4.80a, relating to the movement of passengers by foreign vessel. The problem with the present regulation is that it permits foreign cruise vessels carrying passengers from United States ports and touching nearby foreign ports to only stay in a subsequent United States port up to 24 hours while the passengers temporarily go ashore. Under our present regulation, further time in the United States port results in automatic coastwise penalties under the Act of June 19, 1886 (46 USC 289). The net result is that such cruise passengers spend more time and money in nearby foreign ports than they do in United States ports. To encourage the cruise vessels to spend more time in the United States ports, a proposal to amend the regulation was published in the Federal Register on April 25, 1984 (49 FR 17769) as an advance notice. The proposal was to permit those foreign cruise vessels carrying passengers from United States ports and touching nearby foreign ports to visit subsequent United States ports for whatever time is dictated by the itinerary of the cruise for the passengers to temporarily go ashore. On the other hand, if passengers from previous United States ports disembarked at a subsequent United States port, i.e., were not on board the foreign cruise vessel when it left the port, the result would be coastwise penalties under the Act of June 19, 1886. Further, if a foreign cruise vessel touched no foreign port, there would be coastwise penalties incurred by passengers from prior United States ports who even temporarily went ashore at a subsequent United States port as well as by passengers who disembarked at a subsequent port.

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The advance notice resulted in 193 comments, 10 of those being negative. The comments were discussed in a notice of rulemaking published in the Federal Register on January 9, 1985 (50 FR 1060), and public comments were invited on the exact text of the proposed amendment. The deadline for comments was March 11, 1985, and 171 comments have been received, 13 of those being negative.

We would most certainly welcome your views on the proposed regulation amendment. However, we should point out that in view of the limited scope of the proposed amendment, its clear favorable impact on the United States balance of payments, its potential benefit to United States ports over competitive foreign ports, the strong support of the Chairman of the Senate Merchant Marine Subcommittee, and the absence of hard evidence that the amendment will in fact result in a loss of business for any United States-flag passenger vessel qualified to engage in the coastwise trade, at this time we believe we should proceed with the proposal.

Thank you for allowing me to testify here today. We will be delighted to answer any question you may have at this time.

Mr. BIAGGI. When does a ship start to offload passengers and cargo, at what point?

Mr. GABLE. Suppose I turn that question to Mr. O'Brien.

Mr. O'BRIEN. Upon arrival in any port in the United States ships are boarded by a customs officer along with officers from other Federal agencies, the ship may begin discharge of cargo upon acceptance of bond documents by the customs officer. But it must be at the approval of the customs officer to begin to discharge cargo. Passengers are not routinely discharged until their baggage has been brought off the ship and put in place in a passenger clearance area. This is more for the safety of the passengers than any other reason.

Mr. BIAGGI. Does the customs officer board the ship before it enters port?

Mr. O'BRIEN. No; not at Miami. We do no such boarding.

Mr. BIAGGI. Are the ships tied up until the customs officer boards the ship? How long does it take to clear all the papers?

Mr. O'BRIEN. To process the documents from the vessel? Ten to 15 minutes on average.

Mr. BIAGGI. That is all?

Mr. O'BRIEN. Yes.

Mr. BIAGGI. The Customs Service is responsible for insuring that gambling equipment is locked away while a vessel is in port?

Mr. GABLE. Yes, sir.

Mr. BIAGGI. Have you had any problems with that?

Mr. GABLE. I don't believe we have had any problems. The manner of doing that is different in different regions. It used to be that we would seal all that equipment, and that is still done, for example, in New Orleans and some other areas. And that, by the way, is information I will submit to you next week, exactly what is done all over the United States on sealing. But in some ports, for example Miami, as a saving of manpower I believe, they now simply turn off the equipment. Mr. O'Brien, you might speak to that.

Mr. O'BRIEN. Correct. We used to in Miami seal bonded liquor stores, cigarettes and all gambling equipment on board the vessel as well as the duty-free shops. In certain instances that would require up to 2 manhours per vessel for just sealing and unsealing. It became necessary to assign one customs officer to a vessel for the entire time the vessel was in port.

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Because we were realizing no revenue as a result of that, and we did not see any tremendous enforcement benefit, about 6 years ago we terminated that sealing procedure in favor of a spot-check procedure whereby we no longer use customs seals to seal liquor, duty-free stores or gambling equipment. We do require, however, that the duty-free stores, the bonded stores and the gambling equipment be rendered useless to anybody on board the vessel while the vessel is in port.

We do that by means of a spot check on board the vessel whereby we periodically send customs officers on board the vessels while they are in port to check and see if the slot machines are working or not, to see if the bonded and duty-free cigarette machines on board the ship are working, and to check the bonded storage to see that they are locked.

Mr. BIAGGI. You haven't had any problems?

Mr. O'BRIEN. No problems.

Mr. BIAGGI. Under what authority did Customs issue regulations permitting the foreign-flag vessel to disembark passengers for not more than 24 hours?

Mr. GABLE. Through interpretation of that statute, by the Attorney General, in an opinion the Attorney General issued in 1910 known as the *Cleveland* case—the statute itself was enacted, of course, in 1886, and it is one sentence long.

About 20 years after that the case of the *Cleveland* came along. It as a German-flag vessel, Hamburg-American Line, which picked up 615 passengers in New York and dropped them off in San Francisco. It appeared to be a violation of the statute, and customs assessed penalties. The parties appealed and the case went to the Attorney General.

He issued a formal opinion saying that since the vessel had taken the passengers on a cruise around the world touching many foreign ports before they disembarked in San Francisco, the letter of the law might have been violated but the spirit of the law certainly hadn't. The Attorney General said:

> It is apparent from the language of the legislation and the reasons assigned for its enactment that it was intended to apply to domestic commerce, and was not intended to affect commerce between this and foreign countries.

Congress could not have meant to cover that type of cruise. The primary object of those passengers was not to get to San Francisco, but to take a cruise around the world, and for 75 years now that decision has stood. It was on the basis of that decision that we try to determine the primary object of passenger vessels and some years ago evolved the 24-hour rule.

Mr. BIAGGI. It would be interesting to know what law firm represented that case. [Laughter.]

Mr. GABLE. Yes, sir.

Mr. BIAGGI. Mr. Shaw.

Mr. SHAW. Following on the chairman's comments, referring back to your submitted testimony, what impact, if any, would a change in the 24-hour rule have upon the development and growth of the U.S.-flag cruise ship industry?

Mr. GABLE. This is still a proposal, as you know.

Mr. SHAW. I think the comment period has expired on it.

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Mr. GABLE. Yes, sir, it expired March 11, and we have 176 comments; 13 are opposed. The 13 comments mention very little in the way of explicit specific problems that would be caused for particular American-flag vessels. There is discussion in the comments, and perhaps quite right, about the possibility of construction of U.S.-flag vessels in the future. But to our knowledge there are none now that would be hurt by this proposal.

We consider the proposal somewhat limited. It abolishes the 24-hour rule and simply states that a foreign-flag vessel can stay at a second U.S. port when it has touched nearby foreign ports, as long as the passengers are not disembarked there. As long as they get back onboard the vessel and leave with it, there would be no coastwise violation.

Mr. SHAW. You answered the question that with regard to the fact that at least on the mainland United States there is no American-flag ship activity of any great consequence. What I was talking about is the possibility of growth in this industry, which we all recognize is very desirable to the United States.

Mr. GABLE. No question; we totally and fully agree. We would like to see the return of the high seas American-flag passenger vessels. I find it difficult to respond to that. It is hard to—it is really speculation on my part. I would tend to think that if U.S. ports were closed to foreign-flag vessels and they were simply prohibited from coming into U.S. ports, I doubt that the type of cruise we are talking about, that is a cruise to nearby foreign ports, would suddenly be taken over by American-flag vessels that someone built.

I think, because of the different pricing structure, you would simply see Americans using a fly-and-sail type of cruise. They would fly by plane to a nearby foreign port, such as the Bahamas, and meet foreign-flag vessels there. So even if you went as far as closing U.S. ports to foreign cruise vessels, I am not sure that that particular type of law, under regulations administered by Customs, would help the American passenger fleet, potential fleet. I think there are competitive problems that they have that have nothing to do with Customs requirements. I believe that is true.

Mr. SHAW. Thank you, Mr. Chairman.

Mr. BIAGGI. Would it hurt a potential American fleet?

Mr. GABLE. We don't think so, Mr. Chairman.

Mr. BIAGGI. It has potential, but you are not certain about that?

Mr. GABLE. We are not positively certain but we don't think so, because if an American-flag vessel was built to go into this type of trade, my understanding is it would still have to charge higher prices and the American public wouldn't travel on it.

Mr. BIAGGI. Captain Tanos.

**STATEMENT OF CAPT. ALEXANDER E. TANOS, U.S. COAST GUARD, CHIEF, MERCHANT MARINE SAFETY DIVISION, HEADQUARTERS, SEVENTH COAST GUARD DISTRICT, MIAMI, FL**

Captain TANOS. Good morning, Mr. Chairman. Congressman Shaw, I am Capt. Alexander E. Tanos, Chief of the Merchant Marine Safety Division, Seventh U.S. Coast Guard District, Miami, FL. I appreciate the opportunity to discuss the Coast Guard's responsibilities with regard to foreign-flag passenger vessels.

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Foreign passenger vessels that trade in the United States are required to comply with the safety standards found in the Safety of Life at Sea Convention, 1974 [SOLAS 74]. This convention details specific measures, design features, and lifesaving arrangements that passenger vessels must meet. The state of the vessel is required to ensure that the vessel is designed, built, and continually maintained to those standards.

The Coast Guard, as part of its responsibility, conducts what are known as annual control verification examinations of foreign passenger vessels operating out of the United States. If the vessel is in compliance with the certificate issued by the flag state and with SOLAS 74, the Coast Guard issues a control verification certificate. Our examinations do not take the place of required flag state inspections, but supplement them. Both are conducted to assure continued maintenance of standards.

The Coast Guard has long been concerned with the safety of passengers on ships. Stability, especially damage stability, was a very early concern as a result of marine disasters such as the *Titanic*. In 1914, stringent international standards for subdivision and stability were formulated, but did not come into force until 1933. Lifesaving equipment was also addressed and fire safety on passenger ships has been a continual concern.

In the 1930's, the United States required incombustible materials on U.S. passenger ships as a result of the *Morro Castle* fire. While the International Conventions for Safety of Life at Sea [SOLAS], 1929, 1948, and 1960 did contain requirements for passenger ships, the requirements were not totally adequate.

Fires onboard foreign-flag passenger ships in the early 1960's raised the attention of the international maritime community to this inadequacy. In 1966, the Inter-Governmental Maritime Consultative Organization [IMCO] met to consider measures for improving fire safety on passenger ships. The Coast Guard, representing the United States, was at the forefront in these efforts. Proposed amendments to the International Convention for Safety of Life at Sea, 1960 [SOLAS 60] for upgrading fire safety on existing ships and establishing higher standard for new ships resulted from these efforts. However, due to the complex procedures for bringing international standards into force, the amendments were not accepted at that time, but were subsequently incorporated in SOLAS 74 which entered into force on May 25, 1980.

In 1968, the United States unlilaterally required that all vessels with overnight accommodations for 50 or more people, embarking passengers at U.S. ports, meet the proposed requirements for existing passenger ships. The Coast Guard then established a control verification examination program to ensure that foreign passenger vessels met the requirements of SOLAS and the proposed upgrading for existing vessels.

Initially, this program of plan review and examination was performed by a select staff at Coast Guard headquarters on a large number of vessels. As experience was gained and materials were prepared for conducting and documenting these examinations, the examinations were turned over to our marine inspection offices located in the various U.S. ports. This control verification program, where the Coast Guard examines foreign passenger vessels to de-

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termine that the vessels do meet the requirements of SOLAS, was initiated in 1968 and continues to this day.

The Coast Guard involvement with IMCO, now the International Maritime Organization [IMO], remains committed to upgrading the international standards for passenger ships to the same level as that required for U.S. passenger ships. When SOLAS 74 came into force on May 25, 1980, new passenger ships, those built after that date, had to meet the same requirements as U.S. passenger ships for fire protection. The Coast Guard efforts have not been limited only to structural fire protection.

Significant changes to the international SOLAS standards for machinery and automation were brought about when the 1981 amendments to SOLAS 74 entered into force on September 1, 1984. The 1983 amendments to SOLAS 74, which will enter into force on July 1, 1986, will substantially improve lifesaving appliances on passenger vessels.

In the fall of 1984, the Commandant of the Coast Guard directed a review of the control verification program as a result of fires on the Bahamian passenger vessels *Scandinavian Sea* and *Scandinavian Sun*. This review has resulted in the reinstitution of quarterly reexaminations of foreign passenger vessels which were shifted from required to optional in 1982. Additionally, enhanced guidance on conducting control verification examinations is being prepared by Coast Guard headquarters, with the assistance of my staff and that of the Marine Safety Office, Miami, and will be published shortly. These efforts will further strengthen our examination program and the cause of safety.

Mr. Chairman, this concludes my statement. I will be glad to answer any questions that you or members of the committee have.

Mr. BIAGGI. It seems to me, Captain, that there is a difference between the SOLAS standards and the Coast Guard standards.

Captain TANOS. Initially, Mr. Chairman, there was quite a difference. Today they are pretty much on par. The new ships today even exceed some of the requirements.

Mr. BIAGGI. The new ships?

Captain TANOS. Yes, sir.

Mr. BIAGGI. What do you regard as a new ship?

Captain TANOS. This new generation of vessels that has been built in the last few years, but the others have been brought up to the SOLAS standards, which pretty much match the Coast Guard standards.

Mr. BIAGGI. I would like a comparison chart of the SOLAS standards and the Coast Guard standards.

Captain TANOS. I will be glad to provide that.

Mr. BIAGGI. Indicating the difference, whatever.

Captain TANOS. Yes, sir.

Mr. BIAGGI. Do you have enough personnel to discharge the responsibility you have with all these cruise ships?

Captain TANOS. Yes, we have. Personnel is always a problem with the budget, but with this, going back to quarterly examinations of these vessels, we will be getting additional personnel to help with that.

Mr. BIAGGI. In line with what you said, is it fair to say there is no cost differential between SOLAS and Coast Guard standards?

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Captain TANOS. That is correct, Mr. Chairman. I would say it would be very little. The vessel has to meet the standards regardless of the flag state.

Mr. BIAGGI. We will be hearing from a representative of the AFL-CIO and the NMU later who will make some comments and some proposals. What they would like to do is extend U.S. laws, both labor and safety, to a vessel regardless of flag which is regularly engaged in U.S. trade. In light of what you have stated, Captain, you are indicating to this committee that there is little or no difference in the safety standards?

Captain TANOS. Vessels that meet the SOLAS standards, Mr. Chairman. Now, there are different SOLAS standards that they meet according to the age of the vessel, but that would include all the vessels; the newer vessels that come out do meet the new SOLAS standards, which would be very much on part with the Coast Guard regulations. Now, Coast Guard regulations for an older vessel would be more stringent than an older vessel.

Mr. BIAGGI. How many of those older foreign vessels do we have that have that gap of difference?

Captain TANOS. I don't have those figures available. I could get them for you.

Mr. BIAGGI. Please.

Captain TANOS. Yes, sir.

Mr. BIAGGI. Would you identify the vessels?

Captain TANOS. Yes, sir, I could get those for you and their different ages and what SOLAS standards they meet.

[The information follows:]

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REPORT DATE 04/16/85 FOREIGN PASSENGER VESSELS

| NAME | OFFICIAL NUMBER | AGE | YEAR BUILT | DATE KEEL LAID | SOLAS CONVENTION | COUNTRY OF REGISTRY |
|---|---|---|---|---|---|---|
| AMERIKANIS | L5185398 | 033 | 1952 | 1950 | SOLAS 48 | Greece |
| ATLANTIC | L7902295 | 003 | 1982 | 1979 | SOLAS 60 * | Liberia |
| ATLANTIS | L6411471 | 020 | 1965 | 1963 | SOLAS 48 | Greece |
| AZURE SEAS | L5335319 | 030 | 1955 | 1953 | SOLAS 48 | Panama |
| BALTIC STAR | L5044893 | 032 | 1953 | 1953 | SOLAS 48 | Panama |
| BERMUDA STAR | L5023162 | 027 | 1958 | 1958 | SOLAS 48 | Panama |
| BOHEME | L6810811 | 017 | 1968 | 1967 | SOLAS 60 * | Panama |
| BRITANIS | L5229223 | 053 | 1932 | 1932 | SOLAS 48 | Panama |
| CANBERRA | L5059953 | 024 | 1961 | 1957 | SOLAS 48 | United Kingdom |
| CARNIVALE | L5103924 | 029 | 1956 | 1953 | SOLAS 48 | Panama |
| CUNARD COUNTESS | L7358561 | 010 | 1975 | 1975 | SOLAS 60 * | United Kingdom |
| CUNARD PRINCESS | L7358573 | 010 | 1975 | 1975 | SOLAS 60 * | Bahamas |
| DAPHNE | L5282627 | 030 | 1955 | 1953 | SOLAS 48 | Greece |
| DOLPHIN IV | L5398969 | 029 | 1956 | 1955 | SOLAS 48 | Panama |
| EMERALD SEAS | L5284053 | 041 | 1944 | 1944 | SOLAS 48 | Panama |
| EUROPA | L7822457 | 004 | 1981 | 1981 | SOLAS 74 | German Federal |
| FAIRSEA | L5063629 | 029 | 1956 | 1955 | SOLAS 48 | Liberia |
| FAIRWIND | L5347245 | 028 | 1957 | 1955 | SOLAS 48 | Liberia |
| FESTIVALE | L5367623 | 024 | 1961 | 1959 | SOLAS 48 | Panama |
| GALILEO | L5411254 | 022 | 1963 | 1963 | SOLAS 48 | Panama |
| ISLAND PRINCESS | L7108514 | 013 | 1972 | 1970 | SOLAS 60 * | United Kingdom |
| JUPITER | L5239022 | 024 | 1961 | 1961 | SOLAS 48 | Greece |
| MARDI GRAS | L5103936 | 024 | 1961 | 1959 | SOLAS 48 | Panama |
| MERMOZ | L5171115 | 028 | 1957 | 1955 | SOLAS 48 | France |
| NIEUW AMSTERDAM | L8024014 | 002 | 1983 | 1983 | SOLAS 74 | Neth. Antilles |
| NORDIC PRINCE | L7027411 | 014 | 1971 | 1970 | SOLAS 60 * | Norway |
| NORWAY | L5119143 | 024 | 1961 | 1957 | SOLAS 48 | Norway |
| OCEANIC | L5260576 | 020 | 1965 | 1961 | SOLAS 48 | Panama |
| PACIFIC PRINCESS | L7018563 | 014 | 1971 | 1969 | SOLAS 60 * | United Kingdom |
| QUEEN ELIZABETH 2 | L6725418 | 016 | 1969 | JUL1965 | SOLAS 60 | United Kingdom |
| RHAPSODY | L5339212 | 028 | 1957 | 1955 | SOLAS 48 | Bahamas |
| ROTTERDAM | L5301019 | 026 | 1959 | 1956 | SOLAS 48 | Neth. Antilles |
| ROYAL PRINCESS | L8201480 | 001 | 1984 | 1984 | SOLAS 74 | United Kingdom |
| ROYAL VIKING SEA | L7304314 | 012 | 1973 | 1972 | SOLAS 60 * | Norway |
| ROYAL VIKING SKY | L7218395 | 012 | 1973 | 1971 | SOLAS 60 * | Norway |
| ROYAL VIKING STAR | L7108930 | 013 | 1972 | 1970 | SOLAS 60 * | Norway |
| SAGAFJORD | L6416043 | 020 | 1965 | 1963 | SOLAS 48 | Bahamas |
| SCANDINAVIAN SUN | L6815158 | 017 | 1968 | 1967 | SOLAS 60 * | Bahamas |
| SEA PRINCESS | L6512354 | 019 | 1966 | 1964 | SOLAS 48 | United Kingdom |
| SKYWARD | L6921828 | 016 | 1969 | 1969 | SOLAS 60 * | Norway |
| SONG OF AMERICA | L7927984 | 003 | 1982 | 1981 | SOLAS 74 | Norway |
| SONG OF NORWAY | L7005190 | 015 | 1970 | 1969 | SOLAS 60 * | Norway |
| SOUTHWARD | L7111078 | 014 | 1971 | 1969 | SOLAS 60 * | Norway |
| STARWARD | L6821080 | 017 | 1968 | 1967 | SOLAS 60 * | Norway |
| STELLA OCEANIS | L6413170 | 020 | 1965 | OCT1965 | SOLAS 60 | Greece |
| SUN PRINCESS | L7211517 | 013 | 1972 | 1970 | SOLAS 60 * | United Kingdom |
| SUN VIKING | L7125861 | 013 | 1972 | 1971 | SOLAS 60 * | Norway |
| SUNDANCER | L7360174 | 010 | 1975 | 1975 | SOLAS 60 * | Bahamas |
| SUNWARD II | L7046956 | 014 | 1971 | 1971 | SOLAS 60 * | Norway |
| THE VICTORIA | L5379717 | 049 | 1936 | 1936 | SOLAS 48 | Greece |
| TROPICALE | L7915096 | 004 | 1981 | 25MAY80 | SOLAS 74 | Liberia |
| UNIVERSE | L5028837 | 032 | 1953 | 1951 | SOLAS 48 | Liberia |
| VERACRUZ I | L5358361 | 028 | 1957 | 1956 | SOLAS 48 | Panama |
| VISTAFJORD | L7214715 | 012 | 1973 | 1971 | SOLAS 60 * | Bahamas |
| VOLENDAM | L5050567 | 027 | 1958 | 1956 | SOLAS 48 | Neth. Antilles |

* In addition, these vessels were built to the 1967 Fire Safety Amendments (now incoporated into SOLAS 74).

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Mr. BIAGGI. Mr. Shaw.

Mr. SHAW. I have no questions, Mr. Chairman. Thank you very much.

Mr. BIAGGI. Captain, Mr. Gable, Mr. O'Brien, thank you very much.

Mr. GABLE. Thank you, gentlemen.

Mr. BIAGGI. C. Dean Gaiser, Florida Department of Commerce.

**STATEMENT OF C. DEAN GAISER, DIRECTOR OF TOURISM, DEPARTMENT OF COMMERCE, STATE OF FLORIDA, TALLAHASSEE, FL**

Mr. GAISER. Mr. Chairman and distinguished members of the committee, it is certainly a pleasure for me to be here. My name is Dean Gaiser, director of the Florida Division of Tourism. Permit me to address the economic impact of the cruise industry on Florida ports, the viability of Florida's cruise market, and to offer a profile of Florida's cruise travelers.

ECONOMIC IMPACT

The cruise industry is important to the entire tourism industry of Florida. The Cruise Lines International Association [CLIA] estimates that out of 1.71 million total cruise passengers in 1984, two-thirds of the passengers came through Florida.

In addition to the number of visitors which cruises bring to Florida, the industry directly impacts every segment of the hospitality industry in the form of support services such as food wholesalers, laundry services, oil companies, hotels and resorts, attractions, and others. Cruise passengers also significantly increase the number of air passengers to Florida, thereby encouraging direct air service to Florida cities. An estimated 60 percent of passengers flying into the Miami Airport on weekends have arrived to take a cruise.

Florida has five major cruise ports currently served by 22 cruise lines and 33 cruise ships. Miami, the world's largest passenger port, generated approximately 12,000 cruise-related jobs for Florida citizens in 1984 and more than $600 million in cruise-related revenues. The cruise industry at Port Everglades in Fort Lauderdale provides annual revenues of $60 million for Florida.

The Port of Tampa, whose cruise industry has been growing steadily since 1979, anticipates a $20 to $25 million impact on Tampa's economy in 1985. Port Canaveral authorities estimate from the current growth of their cruise industry an impact of $20 million this year on the central east coast of Florida. And the Port of St. Petersburg, whose first cruise service began in January of this year, projects revenues of $123,000 for the St. Petersburg area in 1985.

VIABILITY OF FLORIDA'S CRUISE MARKET

Florida's cruise industry has shown a steady increase in recent years. Miami's cruise port, established on a 300-acre site in 1968, became in 1983 the first port in the world to process more than 2 million passengers. Miami's passenger count for 1984 was 2,200,000.

Port Everglades, served by nine cruise lines, is rated among the top five cruise ports in the world. Passengers embarking at Port

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Everglades have increased from 116,843 in 1980 to 210,000 in 1984. Figures for 1985 show a passenger increase of 20 percent so far this year. The number of ships berthing at Port Everglades has increased from 14 in 1980 to 18 in 1985.

Passenger counts at the Port of Tampa have increased more than tenfold, from 8,298 in 1980 to 109,983 in 1984. The number of cruise lines serving Tampa has increased from one in 1979 to three in 1984.

Port Canaveral, currently home port for one cruise line, expects service by two additional lines by the summer of 1985.

I think these figures all indicate the viability and the strength of the cruise industry in the State of Florida.

PROFILE OF FLORIDA'S CRUISE TRAVELERS

In a recent survey conducted by the Florida Division of Tourism, random sampling of cruise passengers departing from Florida by air revealed that 64 percent of those interviewed had come to Florida with a cruise as the primary purpose of the visit. Another 20 percent listed vacation as the main purpose of visiting the State, and sometimes vacation and cruise are synonymous, of course.

Passengers interviewed most often participated in cruises of either 7 days or 4 days' duration. Ninety-two percent made arrangements for their trip through a travel agent. Thirty-nine percent utilized some type of package plan. Seventy-two percent of the respondents stayed in a hotel or motel, and at least 40 percent visited a Florida attraction. Of the 40 percent who visited attractions in Florida, more than 50 percent had visited Walt Disney World or EPCOT. Expenditures during extended stays in Florida averaged $75 per person per day.

Respondents most often traveled in parties of two. Seventy-four percent were married. The average age of adults surveyed was 40 years old, and more than 50 percent of the respondents had an annual income of $40,000 or more. More than 60 percent of respondents listed either professional, executive, or managerial occupations.

The top 10 origin States for those interviewed were California, Pennsylvania, Missouri, Michigan, Texas, Illinois, North Carolina, Massachusetts, Iowa, and Tennessee.

Respondents mentioned enjoying rest and relaxation, Florida's beaches, and its climate most often as activities or attributes enjoyed while here. Ninety-six percent of those interviewed said they would return to Florida.

With that pleasant note, thank you very much.

Mr. BIAGGI. They won't come back if you give them this weather.

Mr. GAISER. We guarantee the weather.

Mr. BIAGGI. Every chamber of commerce says that. This is a very, very bullish statement. It shows clearly the impact that the cruise industry has on the economy. Mr. Shaw and I raised our eyebrows at page 3 when you stated that 64 percent of those interviewed had come to Florida with a cruise as the primary purpose, and another 20 percent listed vacation as the main source of visiting the State.

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Mr. GAISER. Yes; that was a sampling, of course, that we had interviewed who had been here for cruises.

Mr. BIAGGI. You know what they say about figures, right?

Mr. GAISER. I prefaced it with "in a recent survey conducted by the Florida Division of Tourism, a random sampling of cruise passengers departing from Florida by air." Actually, just the Miami Port alone, with over 2 million passengers, considering that we have roughly 39 million visitors to the State each year, you can see—I am not a very good mathematician—that is a little over 5, 6, or 7 percent just for the one port.

Mr. BIAGGI. What is interesting is the other ports initiating that kind of industry. I don't have any questions, just those few trivial comments. Mr. Shaw.

Mr. SHAW. I am glad you clarified the statement. A careful reading of the statement that the chairman just referred to does show that it is accurate. However, both of us had picked it up without picking up the words "cruise passenger." I think that that figure and that statistic certainly clearly shows, even though 65 percent of the people may be coming as the prime purpose to take a cruise, it certainly shows that 35 percent are accompanying this with other tourism, which of course is vitally important to the State of Florida.

Mr. GAISER. Indeed.

Mr. SHAW. I very much appreciate your statement.

Mr. GAISER. Thank you.

Mr. BIAGGI. The next witness is Talmage E. Simpkins, executive director, AFL-CIO Maritime Committee, accompanied by Mr. Eugene P. Spector, research director, National Maritime Union. Before you testify, I would like to make an observation for the record.

Captain Tanos has left for the moment.

In the last Congress we tried to get legislation passed for two Cunard vessels. The prospective owner testified that, in order for those vessels to meet Coast Guard standards, it would require an expenditure of $5 million per vessel. Those vessels are relatively new. It is an area of great concern. What Captain Tanos said comes as a surprise to us, but happily. That is something we are going to have to nail down, and nail down very hard.

Mr. Simpkins.

**STATEMENT OF TALMAGE E. SIMPKINS, EXECUTIVE DIRECTOR, AFL-CIO MARITIME COMMITTEE, WASHINGTON, DC, ACCOMPANIED BY EUGENE P. SPECTOR, RESEARCH DIRECTOR, NATIONAL MARITIME UNION OF AMERICA, AFL-CIO, NEW YORK, NY**

Mr. SIMPKINS. Thank you, Mr. Chairman. For a number of years we have observed with considerable consternation the growing U.S. cruise trade and the fact that there are no American-flag ships engaged in this trade, except in Hawaii, and the employment of only a very few American citizens on these foreign-flag ships. The cruise trade which today generates in excess of $5 billion was just being developed when the U.S.-flag passenger ships were being laid up because the trade for which they were suited—point-to-point—was disappearing.

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We have the Jones Act, the Passenger Ship Act of 1886, the Immigration and Naturalization Act, the Fair Labor Standards Act, the National Labor Relations Act, the Civil Rights Act of 1964, and the Occupational Safety and Health Act, which are specifically designed to protect U.S.-flag shipping and the U.S. citzen work force. Unfortunately, not a single provision of these laws as they are currently written and interpreted applies to these foreign-flag ships, not even the ships that do all of, or a majority of, their business in the States.

In addition to these laws, there are other laws such as the safety standard requirements and the Internal Revenue Code which disadvantage American ships in the marketplace because they apply only to U.S.-flag ships.

We have no doubt but that American-flag ships could be competitive in this cruise trade if their capital costs were equated and if the application of government laws were applied uniformly. American labor costs as we envision them would not disadvantage their operations.

It is our understanding that there are approximately 80 foreign-flag passenger ships engaged in the U.S. cruise trade, 40 to 50 of which are either operating exclusively or operating a majority of their time out of U.S. ports. You would expect that an industry which takes more than $5 billion annually out of a community would represent an important or significant employer of local labor. However, this is not the case.

The Americans employed aboard these vessels are generally limited to the cruise staff in capacities such as musicians, entertainers, pursers and shop personnel employed by concessionaires. The bulk of the shipboard jobs are in the hotel division area, and the most numerous occupational skills include waiters, stewards, bartenders, cleaners, food preparation, et cetera.

We have pondered this situation for some time. It is difficult to explain to the many unemployed seamen, and even more difficult to explain to the unemployed in cities such as Miami, that even though these ships are operating exclusively in their job market very few if any of the 40,000 to 50,000 jobs are available to them.

It appears to us that there are several possible approaches to addressing the fact that there are no U.S.-flag ships and a very few U.S. citizens employed in this cruise trade: One, extend the Jones Act and the Passenger Ship Act of 1886 so that only American-flag ships could engage in the trade; two, permit for a 2-year period the reflagging of any foreign-flag ship under a certain age to the U.S.-flag; and three, extend U.S. laws, both labor and safety, to any vessel regardless of flag if it is regularly engaged in the U.S. trade.

It may be that it will take more than one approach in solving this problem. We say this because when we look at the ships in this trade we have to recognize the fact that they are different in more ways than just size and age. The ships that are manned by nationals of the country whose flag they fly are different and should be looked at differently than those where there is no relationship between the flag and the people onboard.

We would welcome the opportunity to work with you, Mr. Chairman, and this committee, in developing the most equitable solution to the problem. We have been working with the Miami City Coun-

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cil, the U.S. Department of Labor, and the Florida AFL-CIO United Labor Agency to establish a school to train young people from this area for jobs on these ships.

This training project will be designed to teach the necessary skills of the entry-level occupations such as waiters, pantrymen, messmen, stewards, and porters. These occupations, while they are not simple, will require, relatively speaking, a short-term training program to teach the needed skills to fill the jobs onboard these ships. Additionally, we will train the individual in essential sanitary procedures and safety at sea.

We are thinking in terms of training approximately 300 people per year and those selected for training will be topnotch young people. We are proposing that these people work for the same wage currently being paid by the operators in this trade who have collective agreements with ITF-affiliated unions. This is a beginning for these people. We fully expect them to move on and up either onboard the ships or ashore.

The NMU has extensive experience in operating training facilities. It now operates two Job Corps centers on the west coast and an upgrading and retraining facility in New York.

The program we are proposing for Miami has a twofold purpose: it would ease the unemployment problem that exists among the youth and even though it would not help all of them it would at least show them that someone cares and it would secure for American citizens some of these jobs which are currently held by foreigners recruited from all over the world.

We have not made our formal submission to the Department of Labor because we have not consummated the final necessary step—a degree of assurance from the operators of these ships that they will employ the people when they graduate from the school. We are continuing our efforts to contact these operators to determine their acceptability of our proposal. The responses through the peripheral contacts have been less than encouraging.

The reception of these operators to the hiring of a miniscule number of qualified U.S. citizens on a voluntary basis will be a clear indication of how they desire to cooperate with the communities from which they receive their profits.

Thank you.

Mr. BIAGGI. Mr. Spector.

## STATEMENT OF EUGENE P. SPECTOR

Mr. SPECTOR. Good morning, Mr. Chairman, it's nice to be here. I feel a little bit like the ant at a picnic; what I hear bothers me quite a bit. I have a few remarks of my own to make. It bothers me to hear a Government official talk about a 1912 Attorney General's decision and then apply it in 1985 to destroy an important element of the American merchant marine, and that is the Jones Act.

I am also amazed that a representative of the U.S. Coast Guard will testify before this committee that there is no cost differential between an American and foreign-flag passenger ship and that the safety standards are the same on an American or a foreign ship.

Mr. BIAGGI. I think he said there is no cost differential as far as safety is concerned.

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Mr. SPECTOR. That is what I am talking about, as far as safety is concerned. This is rather bothersome. I have not heard the distinguished economist who told us in glowing terms about the economy in the area, what it is doing to the American balance of payments, and the billions of dollars that are flowing out of this country. I hear representatives of foreign steamship companies wrap the American flag around themselves, and talk about the vitality and the necessity of the sealanes of the Caribbean, and then relate this to a cruise trade.

Well, we are talking about a very small majority of American people in the very high echelon of American earning power who are taking luxury cruise vacations. No one has talked about the human element that goes into this system. I would like to briefly outline what the NMU has discovered that takes place on a typical ship in this trade, not under an affiliated ITF union-type agreement.

The hotel division aboard these ships is uniformly operated by a caterer. Those catering companies recruit for the most part from the less developed countries, and that is for obvious reasons. They sign aliens to individual employment contracts for a 1-year period. There is attached to the statement a copy of one of these contracts. The employee must expend funds to pay for his transportation from his homeland to the United States, and must deposit a ticket on return. He is a captive of the company.

If the company wants to get rid of him, they fire him before the year is up, and that ticket is used back and he is out that money. He only gets his transportation if he does put in that 1 year. I will get into what he has to do during that 1 year, that everybody seems to shut their eyes to.

In the illustrative agreement here, there is a base wage mentioned, $53 a month, the magnificent sum of $53 a month. I heard someone earlier testify that $1,120 a month was average. I find that hard to equate with a $53 base wage. True, they talk about tips, which could run in this particular illustration 100 to 150 pounds a week, which would be about $120 to $180. The workweek which they admit to is 12 to 14 hours a day, and we know for a fact it can go 18 hours a day, 7 days a week, no overtime.

They have to provide their own uniforms and they have to maintain their own uniforms, and the base wage is $53 a month. I must say on many of these ships it is $50 a month, not that there is much statistical difference between $50 and $53.

Obviously, the system lends itself to abuse and deprivation of human rights. It is not unusual for a job to be bought and sold. Wages are kept at subhuman levels and the job is made more attractive by this siren lure of tip money. It is general practice to entice these aliens to work for nominal wages as supplemented by passenger tips for jobs such as bellboys, waiters, bartenders, room stewards, and stewardesses, and so forth. This keeps down the labor bill and magnifies the profits. There is no grievance procedure.

I was interested and hoped that perhaps the customs officials would get into something more detailed. I would have loved to see the Coast Guard and Customs people bring in some crew lists, to show you what nationalities are on these ships, what percent are



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American citizens. You can't have an entertainer talking Russian or speaking Norwegian to an American audience. They are not going to get the joke. They have to be Americans, so in those areas where you must have Americans you hire them; namely, entertainers.

Mr. BIAGGI. We have many foreigners who speak English well.

Mr. SPECTOR. It would make no sense, though, to have a comic standup in German or some other language. There is a need to have Americans in the entertainment area, and generally that is what you have. Also, in the casinos the need for communication is there between the Americans. A casino employee is either American or English.

We would like to see crew lists, and we would like to see articles. We would like to see what they are signing on for. Why doesn't this committee request it? Why not see what they are willing to pay? If you want to talk about tips, you can take that up separately. Tips are recognized under American law. The Fair Labor Standards Act provides the minimum wage, provides a second minimum wage where tips are involved. It is far more than $50 a month, however, I might add.

There is no appeal procedure to the management decision once a man is fired. And if you don't have a job, you are subject to immediate deportation by Immigration, and this keeps the alien seamen in constant fear, and it has kept them amenable to the dictates of the system. Whole families might have put up all of their life savings to have either bought the job or put up the money to buy the ticket and the return trip.

Mr. BIAGGI. What do you mean by the job, Mr. Spector?

Mr. SPECTOR. There are people who are selling these jobs abroad. You bring people in from all over the world. People are brought in from Korea, the Philippines, and so on.

Mr. BIAGGI. They act as employment agencies?

Mr. SPECTOR. Yes, sir. And on top of that, even if the job isn't sold, the amount of money necessary to come in from Korea, for example, and the air fare over and the return ticket deposit can take the life savings of a family, and they may go heavily into debt, with the knowledge that if they don't put 1 year in they are not going to get their money back. That has an awfully good influence on keeping the guy on the straight and narrow, as the company sees it. There is no need for collective bargaining when you have this kind of a fear situation.

Our analysis indicates the current pricing structure for cruise vacations allows for the payment of fair and equitable wages and fringe benefits. There should be some social benefits applied in case a man gets sick, and if he is going to make a career of this there should be some type of retirement program. Some cruise ship companies operate under a national flag with a citizen crew in the deck and engine department. Then in those cases the catering department includes many different nationalities.

The flag state's labor laws apply and are enforced in the case of a legitimate flag state operation. In other instances, which govern the bulk of the workers here, the flag of convenience or national flag provides no effective vehicle for the protection of the crew. The

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result is the exploitation of labor for the sake of profit or to subsidize luxury-type vacations, or both.

We believe it is high time the American people took a hard look at what is going on here. It is ironic that the U.S. preoccupation with human rights, particularly behind the Iron Curtain, has not at least been extended to the seamen employed in the free world's economy. Thank you, sir.

[The statement of Mr. Spector follows:]

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ADDITIONAL REMARKS BY EUGENE P. SPECTOR, RESEARCH DIRECTOR, TO THE STATEMENT OF THE NATIONAL MARITIME UNION OF AMERICA, AFL-CIO,

I will briefly outline what we have discovered takes place on a typical ship not operating under a collective agreement with an ITF-affiliated union.

The hotel division aboard these ships is operated by caterers. These catering companies recruit their employees for the most part from the less developed countries. They do this for obvious reasons. They sign these aliens to individual employment contracts for a one-year period. (I have attached a copy of one of these contracts to my statement.) The employee must purchase his own transportation from and to his homeland with a refund of up to $500 after satisfactory completion of the one-year contract. In the illustrative agreement the base wage is set at $53 per month, but tips of up to $120 to $180 per week are promised. The workweek is seven days of from 12 to 14 hours per day with two to four employees to a cabin. Uniforms must be provided and maintained by the employee.

Obviously, the system lends itself to abuse and deprivation of human rights. Jobs are often bought and sold. Wages are kept at subhuman levels but the job is made more attractive by the siren lure of tip money. It is general practice to entice aliens to work for nominal wages as supplemented by passenger tips for jobs such as bellboy, waiter, bartender, room steward, etc.; this keeps down

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the labor bill and magnifies the profits. There is no grievance procedure. Troublemakers are subject to arbitrary discharge and immediate repatriation. There is no appeal procedure to management decisions and once fired, the seafarer is subject to deportation by U. S. Immigration officials. Thus, the alien seaman lives in constant fear and is kept amenable to the dictates of the system.

Yet our analysis indicates that the current pricing structure for cruise vacations allows for the payment of fair and equitable wages and fringe benefits. Some cruise ship companies operate under a national-flag with a citizen crew in the deck and engine department. While the catering department may include many different nationalities, the flag state's labor laws apply and are enforced. In other instances, which govern the bulk of the workers, the flag of convenience or national-flag provides no effective vehicle for the protection of the crew. The result is the exploitation of labor for the sake of profit or to subsidize luxury-type vacations.

We believe it is high time that the American people took a hard look at what's going on here. It is ironic that the U. S. preoccupation with human rights, particularly behind the iron curtain, has not at least to date extended to seamen employed in the free world economy.

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V.I.P. STAFF CONSULTANTS (UK) LIMITED

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## TERMS AND CONDITIONS OF EMPLOYMENT OFFERED BY POSEIDON SERVICES OF MIAMI:

Listed below are the terms and conditions of employment offered by Poseidon Services Limited of 901 South America way, Office "C", Miami, Florida 33132, who are responsible for the hiring of catering personnel for the Royal Caribbean Cruise Line, which is based in Miami. This Company operates three luxury liners: SONG OF NORWAY, SUN VIKING AND NORDIC PRINCE.

1. Personnel engaged are to purchase economy airline tickets for both the outward and return journey by the most economical route.

2) Upon satisfactory completion of the one year contract, air fares will be refunded up to a maximum of 500 dollars. (As stated in the travel regulations for employees of Poseidon Services - Schedule "A").

3) Should an employee terminate his employment before the end of the one year contract he forfeits the partial refund on his air fares.

4) The basic wage is 53 dollars per month.

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5) GRATUITIES

A. RESTAURANT WAITERS - Passengers are recommended to tip their waiters a certain amount, but this is not statutory. Therefore, a waiter's tip will depend on:-
   a) his skill as a waiter.
   b) his personality
   c) the size of his station

   Once established, a good waiter can earn the equivalent of £100 - £150 per week.

B. WINE WAITERS/BAR WAITERS' earnings once they are established, should be the same as those of a Restaurant Waiter.

6) INDUCTION:

RESTAURANT WAITERS - for the first one or two weeks, the waiter will only wait on the crew. From then on the waiter will build up to a full size station. Therefore, in the early weeks of employment, the waiter should not expect to earn a great deal in tips.

7) WINE WAITERS/BAR WAITERS - Persons engaged as Wine Waiters or Bar Waiters may be utilized at any stage by the Company for either position.

Furthermore, it is usual Company Policy for Wine Waiters to spend an induction period of about two weeks as a Bar Waiter. Of course, if the dining room is short of manpower, this induction period is waived.

8) The actual work is extremely hard; 12-14 hours per day; 7 days a week, 2 sittings for breakfast, luncheon and dinner.

9) Time off is a maximum of two half days per week. These off-ti are allowed when the ship is in port. They operate on a shift basis between the departmental staff.

10) Work breaks can be negotiated after 18 weeks employment and are subject to Poseidon Services being given 4 weeks notice and the employees holding a round trip ticket (as stated in the travel regulations of employees of Poseidon Services).

Schedule A.

Contd.....

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11) Accommodation is within either a two or four berth cabin. This is provided free of charge.

12) Meals are provided free of charge.

13) A waiter must provide the following uniform:

Black shoes, black socks, black trousers, black cumberbund, white shirts and a black bow tie.

He will be responsible for the dry cleaning and/or laundering of these items (as stated in the travel regulations for employees of Poseidon Services).

Schedule A.

14) Personnel cannot be advised by the VIP as to which ship they will join. This will only be decided when the employee arrives at Poseidon Services Offices in Miami on the day of sailing.

15) Personnel may be required to carry out duties in addition to their normal tasks. For example, when the ship docks, helping with the removal of passengers' luggage.

16) Subject to the agreement of both parties, the one year contract of employment is renewable.



Contd.....

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I, the undersigned confirm that I have carefully read and understood the conditions of employment listed overleaf, and that I have received the following documents :-

a) Poseidon Services Travel Regulations — Schedule A

b) Shipboard Regulations — Schedule B

c) Poseidon Services Contract of Employment which I have signed.

d) List of emergency Numbers for the Immigration Authorities.

e) Envelope to be handed to Mr. Blancaneaux, Personnel Manager of Poseidon Services, containing :

1) Copy of Poseidon Services Contract of Employment, which I have signed.
2) My original application form and references.
3) Open return airline ticket, which I have purchased in accordance with my contract.

I further confirm that I understand the return portion of my ticket is valid to London only and that I shall make no claim upon either Poseidon Services Limited or VIP Internati a Staff Consultants Limited, against any costs arising from my re-patriation from London to my original home or place of hire.

SIGNED: _____

HIRED AS : WAITER

SIGNED : _____

SHIPPING CONSULTANT - VIP INTERNATIONAL STAFF CONSULTANTS LIMITED.

WITNESS : _____

DATE : Dec 1.1982

VIP INTERNATIONAL
17 CHARING CROSS ROAD
LONDON WC2
TEL 01-930 0541
TELEX 21593

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TRANS AMERICAN SERVICES, LTD.

1007 North American Way, Miami, FL 33132

Dear....

We wish to extend the opportunity of employment with our company in the capacity of bar waiter at a salary of U. S. $ 50.00 a month. The monthly guaranteed income is U. S. $650.00 (including tips and wages, if applicable). The period for claiming the monthly guaranteed minimum income expires the 14th day of the following month.

.....

(signed) Robert Tyre
Director of Personnel

COMMENTS OF THE BAR WAITER WHO SIGNED THIS CONTRACT:

Two supervisory personnel tried to inquire about claiming the monthly guaranteed minimum salary and were immediately removed from their positions and transferred to other ships.

Hours: This bar waiter works from one p.m. to one a.m. seven day a week and in addition he works in the store room one day a week from 7:30 a.m. to 11 a.m.. Total hours 87½ per week.

Time off: Every ten days, the bar waiter is given one half day off if the ship arrives in New York on time.

Approximate actual tips: The bar waiter with the present passenger load says he is averaging about $15.00 a day, or about $1.20 an hour. This results in a total income approximately $150 less than the guaranteed minimum.

ESTIMATED TIPS ON THE SCANDINAVIA

Present passenger manifests show that there are approximately 900 passengers (including children) travelling from New York to Freeport every five days. There are approximately 300 passengers returning every five days. We can thus estimate that there are an average of 600 passengers.

There are 28 men working the bars (10 bartenders. 12 bar waiters. 6 bar boys) That is one bar person for every 21 passengers. If every passenger (including children) were to tip $1.00 every day for drinks, the bar personnel would earn $21.00 a day, and would be receiving the minimum guaranteed salary. This expectation of $1.00 per passenger per day is for drinks in addition to wine and and drinks at meals.

As it now happens, it is possible to go into one of the several bars during the cruise and finding no passengers, and the bar waiters receiving no income.

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Mr. BIAGGI. Mr. Simpkins, one of your proposals was to extend the Jones and Passenger Ship Acts so that only American-flag ships could engage in the trade.

Mr. SIMPKINS. Yes, sir.

Mr. BIAGGI. Do you think that would have some minimal impact on the existing business?

Mr. SIMPKINS. Yes, it would. Then we would have American-flag ships.

Mr. BIAGGI. What would happen to the existing business?

Mr. SIMPKINS. To the existing ships that are in the trade?

Mr. BIAGGI. Yes.

Mr. SIMPKINS. Well, unless we had the waiver, say a 2-year window that would permit these vessels that could qualify safetywise, they couldn't come in to trade. You see, it was an Attorney General's ruling, as I understand it, in 1912, that gave a real wide-open interpretation to this Passenger Ship Act.

The Passenger Ship Act says that only American-flag vessels can carry U.S. citizens between ports, without a $200 fine. The Attorney General in 1912 ruled, on a Great Lakes case, that as long as the foreign-flag ship only touched one U.S. port, it was not violating the law. So going back to your original question, unless you had with the provision that you could wave these ships in, yes, it would have a big impact on them.

Mr. SPECTOR. If I may intrude on this. I think several things could happen. One is you would change perhaps the definition of citizen, perhaps to 50 percent, and all you do is change the vehicle, the legal vehicle, and set up an American corporation instead of a foreign corporation to run it. Forty-nine percent would be owned by the foreign corporation, fifty-one percent by the American corporation. It is done all the time. There are plenty of foreign corporations operating vessels under American flag, under an American corporation, in the United States.

It is only in terms of the Jones Act itself, but if you change the 75 to 50 percent, all you would do is just change the corporate vehicle in my opinion, and then you would have an American flag flying instead of a foreign flag, and you would have American crews instead of crews from all over the world.

We find in a ship like the *Norway,* or any of the large ships that are in here, in the catering department something like 30 to 35 different nationalities, 50 from one country, 100 from another, 25 from another. It is also bothersome to hear that it is so essential to the Caribbean Basin, and by their own admission 40 percent of the jobs are filled by people from the Caribbean Basin—we would like to see that verified, but 40 out of 100 when they don't stray out of the Caribbean Basin. And this is a fair and equitable approach to the situation?

Mr. BIAGGI. Fair and equitable as it relates to Americans, is that what you are talking about?

Mr. SPECTOR. To the area. If you are going to view it as an area, as they have, in one of the opening statements, view the Caribbean Basin as an area, these ships trade in the Caribbean Basin, ergo, wonderful, 40 percent of the jobs come out of the Caribbean Basin. Look what we do to the Caribbean Basin economy? What are they taking out?

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If it was in the United States, there are combinations of Government, labor unions, and laws that protect individuals, but here in Miami a man flys in. If he shows that he has employment on one of these ships, he goes aboard the ship, he works here, he stays on that ship 1 year, going in and out of Miami for 1 solid year, working 100, 120 hours a week, without rest. He is supposed to get a day or two off a week. He doesn't get the day or two off a week. Who does he complain to? And if he complained, what would happen to him? Where is his protection?

These are human beings, and whether they are Americans or foreigners, they are still seafarers, they are still people, and there should be some protection. It seems to me that as Americans we have an obligation to look at what is going on.

I would concur with the statement, and I should have said it earlier, of the Seamen's Church Institute that we adopt ILO Convention 147. I was on the committee at the preparatory conference in 1975, and I was there in 1976. It has some flag-state control, and it would put some teeth into some of the things we tried to do from the labor side, and I must say it has support of most of the management, because it gives legitimacy to the flag of convenience, and you will see Exxon and some other people supporting it for that reason.

At least it allows the flag-state control to look beyond the flag that is flown, as to whether the social standards aboard that ship are minimal, at least with respect to ILO Convention 147, and I would urge the Congress of the United States and the people of the United States to support that convention and adopt it.

Mr. BIAGGI. Mr. Simpkins, in your closing remarks you said the reception of these operators to the hiring of a miniscule number of qualified U.S. citizens on a voluntary basis will be a clear indication of how they desire to cooperate with the communities from which they receive their profits?

Mr. SHAW. Yes.

Mr. BIAGGI. Which jobs are you talking about?

Mr. SIMPKINS. Onboard ships, the ones that we would train in this training school that I referred to here.

Mr. BIAGGI. What is the difference in salary?

Mr. SIMPKINS. As I have said, they would work for the same as, say, the Norwegians' pay, for example, the people onboard their vessels. There would be a minimum wage, a U.S. minimum wage, perhaps a little more.

Mr. BIAGGI. If I understand you correctly, the Norwegians have some of their employees in upper categories, if you will, and then have a number of nationalities in the lesser jobs?

Mr. SIMPKINS. Yes. The operation of the vessel as I understand it, citizens of Norway. People in the steward department, I understand, they get from all over the world, but, nevertheless, their contract covers them. Their labor contract——

Mr. BIAGGI. Covers?

Mr. SIMPKINS. Covers the ones in the stewards department.

Mr. BIAGGI. In the stewards department?

Mr. SIMPKINS. Yes, sir.

Mr. SPECTOR. When you look at the minimum wage of $3.35 an hour, Mr. Biaggi, times 173 hours in a month, you get roughly $600

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a month. I looked at the Norwegian agreements, 1981 to 1983, and found they are paying cleaners in American money $907 a month. Decent wages can be paid.

Mr. BIAGGI. Are they paying the same individuals in their ships as contrasted to the ITF contract?

Mr. SIMPKINS. I don't understand.

Mr. SPECTOR. I don't have an ITF contract with me, so I can't tell you.

Mr. BIAGGI. Clearly, there is a disparity.

Mr. SPECTOR. They are paying at least in my opinion, the Norwegians are getting at least equal or superior to the ITF agreement. You can operate legitimately at current levels of passenger charges and pay labor decent wages. What we are after are those people who say, "No, let's bring labor in, let's squeeze them and let's make an extra buck." This provides an unsafe ship and a very, very bad situation.

Mr. BIAGGI. Let's stay with that unsafe ship. How is it unsafe? You were present?

Mr. SPECTOR. When you have a fire or you have a tragedy of any sort at sea and these people don't really know their boat stations, they know nothing about handling a lifeboat, you don't know where the fire breaks out, you don't know who is going to handle the hose; have they had the proper background, have they had the proper training, and the passengers' lives are at stake.

Mr. BIAGGI. Doesn't the Coast Guard require that?

Mr. SPECTOR. You will have to ask the Coast Guard what they do. After listening to the Coast Guard I decline to answer for them.

Mr. BIAGGI. Captain Tanos is still here?

Captain TANOS. Yes, Mr. Chairman. The fire drills, the emergency drills are conducted in the U.S. ports as part of the examination. The new requirements will include asking the individuals what their duties are and see that they are aware of them.

Mr. SPECTOR. Is that true of the stewards department?

Mr. BIAGGI. Asking them if they know what their duties are is one thing.

Captain TANOS. They will be drilled, Mr. Chairman, in the use of the equipment, too.

Mr. SIMPKINS. Is this the navigation department or does this include the stewards departments personnel also?

Mr. BIAGGI. Does this just include the navigation department or the stewards department as well?

Captain TANOS. The emergency equipment will be the people that are assigned to it. The stewards department duties of directing passengers will be a part of the drill.

Mr. BIAGGI. How many ships pay the low wages you describe in your testimony, and how many have agreements with ITF-affilidated unions?

Mr. SPECTOR. The vast majority pay the lower wage. The Norwegians generally apply their national collective agreement, and some other national flags will pay their collective agreements. There are cases of Greek crews who may be on a Liberian-flag ship where the Greek agreement might apply. However, most of these passenger ships, I believe, are under Panamanian or Liberian-flag.

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There is a tendency to take a dry cargo ship and put them under the Panamanian-flag, the older tonnage particularly, and they pay the lower wages. It can be verified very easily.

They all have to sign articles of agreement, all of the crewmembers, and in the articles they are supposed to put down what they are paying them. At varying amounts depending upon the rate of exchange. If they are paying them in a foreign currency—I think mostly out of this port they are paying dollars.

Mr. BIAGGI. How do you respond to the fact that many in the stewards department come from countries that have minimal income, and that this is an opportunity for them to earn much more than they ever contemplated?

Mr. SPECTOR. It is a relative question. They are not living in their own economy. If they have to have their uniforms cleaned, they are being cleaned in the Caribbean Basin or the American economy. If they are going to buy a package of cigarettes, if they are going to seek any recreation at all, it is not in their home economy, so I don't know why we have to worry about the home economy and the level of earnings in that home economy.

Sure it may be a big advantage to them at any level. Even to have a job may be a big advantage to them but once you leave the home country, some of the earnings have to be sent home, if you have a family. Some of these people stay aboard the ship, their plan is 4 or 5 years, try to get a nest egg and go home and open a business of some sort, if you can last that long.

It is pretty tough work. You have got to be young, you have got to be tough to be able to do it.

Mr. BIAGGI. I am not so sure that that is so valid an observation.

Mr. SPECTOR. I sailed on the *Brittanis*. I took a trip just to find out what the devil was going on. It was a ship, one of the old Matson Line ships, and 50-some years old.

They were getting a pretty good price for 2- and 3-day cruises to nowhere. The accommodations were very, very poor. The sanitary facilities were very poor.

Mr. BIAGGI. For the passengers?

Mr. SPECTOR. For the passengers. You can imagine what it was like for the crew. You couldn't get down to them. If you tried to talk to the crew, they were very suspicious. They were very wary. Very few would really open up to you. The buffet lunches, bologna sandwiches for the passengers. Figure out what the crew were getting.

If there is a feeling that because it is a passenger ship and you see a sumptuous amount of food that the crew gets the same food, forget it. It doesn't work that way.

Mr. BIAGGI. An enterprising crewman will get the same food.

Mr. SPECTOR. Some are more enterprising than others. Locks can be picked. They would probably have to be to stay alive.

Mr. BIAGGI. You make the argument that they have to buy cigarettes and spend money on recreation, but at the same time that flies in the face of your previous statement which said they had no extra time on the ships. I just make the observation, but let's get back to Mr. Simpkins.

You talked about your training program.

Mr. SIMPKINS. Yes.

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Mr. BIAGGI. Have you met with the cruise ship operators to determine what interest they may have in hiring the intercity young folks for you to train?

Mr. SIMPKINS. No, sir we have not.

Mr. BIAGGI. Are you planning to?

Mr. SIMPKINS. Yes, we would like to. We have several people working on setting up some meetings with them.

Mr. BIAGGI. You have an awful lot of them here today. If you stand by the door, you can get them on the way out.

Mr. SPECTOR. Would you like to trip them for us?

Mr. BIAGGI. Mr. Shaw.

Mr. SHAW. Thank you, Mr. Chairman.

Mr. Simpkins, I would like to go back to your great comments on page 4, when you talked about a 2-year period for reflagging foreign-flag ships under a certain age to U.S. flag. I assume we are talking here about cruise ships.

Mr. SIMPKINS. Yes, sir.

Mr. SHAW. How many ships would qualify for reflagging in this particular area?

Mr. SIMPKINS. I don't really know. I would have to look, or the Coast Guard, to give you a better answer to that, looking at the vessels. I think further we would be restricted to no vessels, say over 5 years of age or no vessels over 10 years of age. You would further restrict it to any vessel.

Mr. SHAW. Without being specific as to number, are we talking about a large number of ships, more or less than 10?

Mr. SIMPKINS. I think you are talking about a good number. As to which number I don't know. Maybe a third of these would qualify under U.S. standards. That is just a guess I would make. I could not be specific.

Mr. SHAW. Obviously the ship Mr. Spector went on wasn't qualified.

Mr. SIMPKINS. No, sir; that ship is 50-some years old.

Mr. BIAGGI. How old?

Mr. SIMPKINS. Fifty some.

Mr. SHAW. Does it operate out of the Port of Miami or the Port of New York?

Mr. SPECTOR. This particular ship operated out of New York, to give you some idea of how old she was.

Mr. SHAW. I don't know of any ship that serves bologna.

Mr. SIMPKINS. It came out of Miami. In 1983, it had 15 sailings out of Miami.

Mr. SHAW. In 1983 that ship did?

Mr. SIMPKINS. Yes, sir.

Mr. SHAW. The comments, or the list that you have here, are they in the conjunctive or the disjunctive? All or nothing, or any, or some?

Mr. SIMPKINS. I think a compromise would be worked out here as to how this would go. It is really not our intent to close this business out. Just some of the operations. We would very much like to see some American-flag operations here, and they can't be so long as we have the strict U.S. laws applying to them and really very few if any U.S. laws applying to the others.

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Mr. SHAW. I understand that. I think we all want the same thing. We want American jobs, we want American-flag ships, we want decent wages. What if every port—and I assume you are applying this not only to the Caribbean, not only to the Port of Miami, but you are applying this to the entire country?

Mr. SIMPKINS. Yes, sir.

Mr. SHAW. What if every country in the world who has any type of business, any type of port activity, were to apply what you said and what Mr. Spector said, except simply inserting their country's name rather than ours?

Wouldn't we all of a sudden find that the cruise industry would totally close down.

Mr. SIMPKINS. A number of the countries do. That is one reason they are all here.

Mr. SHAW. Which countries?

Mr. SIMPKINS. I can give you a list. I don't have them here, but a great number of countries do.

Mr. SPECTOR. Mr. Shaw, you could not operate this way in Europe. They have adopted ILO Convention 147 in Europe, it looks at the social aspects of shipboard employment, and its impact on safety, and the substandard ships would be forced out, because there are port state controls, and having a flag of convenience wouldn't help them, if it is effective, and they say it is.

The EEOC countries have gotten together, I believe, it is under OECD, and they have applied some fundamental standards with respect to the employment of individuals.

Mr. SHAW. Would the imposition of EEOC standards satisfy the requirements of your testimony?

Mr. SPECTOR. It would certainly go a long way toward helping. The thrust of our testimony is we would like to see some of the work go to American seafarers. We think with the board and lodging, in terms of tips and some minimum wage structure for youngsters to start them out in a service industry such as this, where they could get their training, and could either make a career in it or use the knowledge that they gain to be gainfully employed elsewhere, rather than to wallow in poverty in city/metropolitan areas.

We are not talking about large numbers, I think Mr. Simpkins alluded to maybe 300 people a year. Some hope ought to be held out to these people, and certainly a selective process would be gone through, so that the people would be the type that you could train and they could be involved in a service type industry.

Mr. SHAW. One of you gentlemen made reference to the tremendous profits that are being made. Would the cost of a ticket aboard a typical cruise line leaving the Port of Miami, would that ticket price be affected by what you gentlemen are suggesting?

Mr. SPECTOR. We don't believe so.

Mr. SHAW. Is Mr. Spector speaking for you too, Mr. Simpkins?

Mr. SIMPKINS. No; I would agree.

Mr. SPECTOR. If we structure our wage scales along the lines that are being done by the legitimate operators, we think it could be done.

Mr. SHAW. Mr. Simpkins, back to the requirements in your testimony, No. 1, to extend the Jones Act, the Passenger Ship Act of

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1886, so that only American-flag ships could engage in the trade, do you mean that the only ships that could come to Miami and operate out of Miami and the Caribbean would be American-flag ships?

Mr. SIMPKINS. In the cruise operations, yes, unless they were doing a point to point, yes.

Mr. SHAW. And how would you apply that standard? How would you write that standard? If its principal business comes out of that port?

Mr. SIMPKINS. Yes.

Mr. SHAW. Or whatever?

Mr. SIMPKINS. Yes.

Mr. SHAW. Why not have them simply operate out of Jamaica?

Mr. SIMPKINS. It would be a little more difficult for him than permitting him to personally base here, and not to have to comply with any of the laws.

Mr. SHAW. The port director said they are only here 7 hours?

Mr. SIMPKINS. Yes.

Mr. SHAW. Would they stay at the other ports longer than those 7 hours?

Mr. SIMPKINS. Yes.

Mr. SHAW. So why wouldn't they argue that they are principally docked in one of the other ports of call.

Mr. SIMPKINS. But this is where they get their business, here.

Mr. SHAW. Where they take on the majority of their passengers?

Mr. SIMPKINS. Yes, sir, and where they are home ported.

Mr. SHAW. You don't think that that would have a very negative effect on the economy here by diminishing the number of cruise vessels coming into Miami?

Mr. SIMPKINS. I think perhaps that might.

Mr. SHAW. If I am paying sombody $55 a week, I can certainly operate a lot cheaper than somebody who is paying minimum wage or better here in the United States, certainly with the marine requirements of the United States.

Mr. SIMPKINS. I am sure you don't want me to argue with you, but I would think that what you pay someone has absolutely nothing to do with what your cost is, your total cost. Your profit is what I am really saying.

Mr. SHAW. Isn't one of the primary costs of doing business labor?

Mr. SIMPKINS. It is one.

AFL–CIO MARITIME COMMITTEE,
*Washington, DC, April 26, 1985.*

Hon. E. CLAY SHAW, Jr.,
*Cannon House Office Building,*
*Washington, DC.*

DEAR CONGRESSMAN SHAW: During the oversight hearing in Miami on the passenger cruise industry, you asked me a question about what effect a higher cost of labor would have on the cruise operation.

The answer with additional explanation that I was attempting to give is as follows: In the situation where the fare is controlled by competition there are doubt extensive pressures on the part of the operators to reduce all costs including labor. The more successful they are in reducing these costs, the higher their profits.

It is our understanding that the Norwegians are high-cost operators at least for labor paying at least the U.S. minimum wage. If they are the high-cost operators and are still successful in the trade, as they appear to be, the fares they charge would logically be the control or ceiling. It would then follow that less scrupulous

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operators that pay in the $50 per month range would charge something less but no less than what is necessary to fill their ships and would make considerable profits from the operation.

Sincerely yours,

TALMAGE E. SIMPKINS, *Executive Director.*

Mr. SHAW. On American-flag ships?

Mr. SIMPKINS. But it is our contention——

Mr. SPECTOR. The cost of labor on American ships has declined probably from 30 to 40 percent of total costs down to somewhere in the neighborhood of 10 percent. It has been a steady decline. We have gone to high technology in the merchant marine, which is why we only have about 220-some ships in commercial freight operations today.

Mr. SHAW. But the cost of labor still is a significant cost factor?

Mr. SIMPKINS. It is probably less.

Mr. SPECTOR. I believe, per unit of cargo moved, it is as low as it has ever been in history.

Mr. SHAW. I am not talking about cargo; I am talking about passenger lines where you do have a significant number of people employed per passenger on most of these cruises, as I understand it. I am not talking about freight at all.

Mr. SPECTOR. If you have an appropriate list of crew for the services that you want to give, you can still afford to pay at the rate that they are paying, a decent wage. We don't think $50 a month is a decent wage for anybody to work for.

Mr. SHAW. I agree with you, but you also testified that people were buying those jobs. They were paying to get those jobs.

Mr. SPECTOR. That is another problem that is going to be looked at by the ILO in 1986 and 1987, at the next convention, the next technical conference, the employment operation of procurement of jobs. It should be illegal any place in the world.

Mr. SHAW. I would love to see the imposition of some of the standards that you are testifying to without destroying the cruise industry.

Mr. SPECTOR. Even if you don't buy a job, how about the requirement of putting up the $1,000 to $1,200, or whatever the cost is, of transportation from your home and back for 1 year while you work out your first year's employment.

Is this fair and equitable? Would you like a job on that basis?

Mr. SHAW. Mr. Spector, I am not going to sit here and say that what they are paid is fair and equitable. I think it is certainly a question that we should be looking at. But I would, however, say that when we talk about human rights, and we talk about subhuman wages and things of this nature, we are certainly looking at that from where we sit here in the United States, not from where they are escaping from, and that is one of total unemployment or wages that are even far, far worse than that——

Mr. BIAGGI. Will the gentleman yield.

Mr. SHAW. Yes, I will be glad to.

Mr. BIAGGI. Mr. Spector, you have a letter here from Tyre, director of personnel, Trans-American Services, offering the opportunity of employment as a bar waiter for the salary of U.S. $50 a month, with a monthly guaranteed income of $650 including tips and

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wages. So when we talk about $50 or $35 a month, that really isn't an accurate portrayal, is it?

Mr. SPECTOR. You are talking now about $50 salary and $600 a month tips. Probably for the amount of people he is handling the tips are on the low side.

Mr. BIAGGI. Those are two different things. I understand the point you are making, but I always like to deal with the facts. In your own statement, the opening page: "The base wage is set at $35 a month but tips up to $120 to $180 ordinarily are promised."

The point I am making is that these are two different issues. The working conditions and the amount of time they work, et cetera, as contrasted to their income. If you are just dealing with $35 a month and isolate that, make that the only income, then it becomes more grievous and more dramatic from your perspective; but in the end they are at least guaranteed $650, and it may go higher.

It is not sufficient, not adequate for American citizens, we agree, but I think just saying they make $35 a month is not accurate.

Mr. SPECTOR. Let's play with an able-bodied seaman. I have another one right here, Scandinavian World Cruises 1982, monthly basic salary U.S. dollars for an able-bodied seaman, $300, that is monthly. That is about $500 below the ITF minimum. This is an able-bodied seaman standing a navigational watch aboard a passenger ship with a lot of lives at stake, and he is on a fundamental basic 56 hours a week.

His overtime compensation in U.S. dollars for hours in excess of 45, is $2.35. That will give you some idea of the relatives. There are no tips to an AB. I just want to put the whole thing in perspective for you.

Mr. SHAW. Thank you, Mr. Chairman.

Mr. Lunetta's testimony on page 3, he said that the average Caribbean crew member who might earn as little as $1 or $2 a day in his or her home nation, that is the minimum wage in Jamaica is $2 per day, "earns on the average a minimum of $1,100 to $1,200 a month."

Are we trying to compare engineers with bartenders and waiters, or can you in any way reconcile that testimony?

Mr. SPECTOR. I would have to challenge Mr. Lunetta's $1,100 average out of the Port of Miami as an average. Average for what? This from the master down to the cleaner? Is this the average for the catering?

What is it? I deal with figures, and I can play any kind of game you want. I just think it is very misleading coming in here and telling this committee that the average salary aboard these cruise ships is $1,100 a month. If it were, there would be no problem putting an American-flag aboard. I can show you our contracts, deep-sea, on our cargo ships, for ratings, who do the type of catering work we are talking about who are paid $900 or $950 a month. That is the American wage.

Mr. SHAW. I have no further questions.

Mr. BIAGGI. Mr. Simpkins, a last question. Do you have a couple of Job Corps centers?

Mr. SIMPKINS. Yes.

Mr. BIAGGI. What happens if the President's budget proposal eliminating the Job Corps centers is enacted?

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Mr. SIMPKINS. We are not proposing for the one in Miami to be under Job Corps. It is another phase of training run by the Department of Labor.

Mr. BIAGGI. Two on the West Coast?

Mr. SIMPKINS. I am assuming they would go, unless they were shifted to something else in the JTPA, Job Training Partnership Act.

Mr. BIAGGI. Thank you very much, Mr. Simpkins and Mr. Spector.

Mr. SIMPKINS. Thank you.

Mr. BIAGGI. Foreign-flag Carrier Panel: Edward W. Stephan, president of the Royal Caribbean Cruise Lines; Mr. Bernard A. Chabot, president, Eastern Cruise Lines; Arthur W. Kane, vice president for corporate relations, Norwegian Caribbean Lines.

## STATEMENT OF EDWIN W. STEPHAN, PRESIDENT, ROYAL CARIBBEAN CRUISE LINES

Mr. STEPHAN. Mr. Chairman, Congressman Shaw, we would like to thank you for giving us this opportunity here for stating our case and also answer your questions. I would like to also say, with your permission, I have Mr. Whelpton here as my assistant to help out with some of the figures we may get into.

I would like to start off by reading my statement here. I am president of Royal Caribbean Cruise Line, operating four Norwegian-flag cruise ships, *Song of America, Nordic Prince, Song of Norway* and *Sun Viking;* out of the Port of Miami, Florida. By 1989 we plan to double our fleet by adding two new large vessels, each of 2,000 passenger capacity. Although we will be expanding into new markets, worldwide, our major emphasis will still continue to be the Caribbean area.

We feel strongly that we give a definite contribution to the U.S. economy, and in particular, to the State of Florida and to the local area. Although our ships are only in Miami 5 percent of the total week, many jobs are created here, by the total economic impact of our industry. We contribute substantially to the advantage of suppliers of fuel, food, beverage, and spare parts.

We spend heavily in newspapers, other media and with advertising firms. We are some of the largest customers of the airlines who operate out of here, as well as giving many passengers to the local hotels.

The employees of stevedoring companies and their unions receive a great part of their income from the cruise business and nearly all the vessels have their annual extensive drydocks here in U.S. ship repair yards. Actually 15 percent of our gross total revenue is received by travel agents in the United States (100,000), since they are utilized basically as our sole distribution system.

Actually when you consider that, what we are really saying is 15 percent of the total revenue from the top of the cruise lines actually immediately goes into travel agents 100 percent. When you consider all those who are benefited by this major industry, the figures look quite impressive.

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In addition, 80 percent of the dollars we receive from our passengers return to the United States from friendly and nearby areas, as opposed to other vacations in areas lying further away.

We also contribute the the Caribbean area where, indeed, we spend most of our time. Our passengers spend their dollars on touring, shopping, and in their restaurants; and our ships pay their port charges, landing tax and entrance fees.

The main Caribbean airline, BWIA, has us as its major contributor. As you know, these countries depend on a great part on importing their needs for the U.S. and their dollars again return to our area.

The Caribbean, of course, is a more friendly area due to the return of sympathetic governments of countries like Jamaica. We will return again, at the end of this year, to Grenada, which had been utilized by us as a port of call for many years.

However, the Caribbean, in our opinion, has been deteriorating as of late, on the economic front. The lower islands of Curacao and Aruba have been hurt by the oil prices, currency problems, decline of South American business, and perhaps most of all, the shutting down of American oil refineries.

As you go further into the middle Caribbean area, islands such as the Dominican Republic and Jamaica have suffered from large U.S. companies shutting down substantial bauxite and enormous sugar operations.

Further, the off-summer season tourist business has been made worse by the strong U.S. dollar and the alternative options available such as in Europe. Even islands that have been quite well off before, are now concerned by this downturn.

Although I am certainly not stating here that cruise ships are the overall solution, they certainly contribute to the economies of these islands, and I certainly know that it is in our interest to be concerned about this nearby Caribbean area, and the presence of friendly ships with American passengers is preferable.

Also in the Caribbean we offer many varied jobs. We employ people from over 50 countries in our overall organization, including many Americans. But those in the islands benefit most by young men being able to work in good conditions and being able to earn from 2 to 10 times what would be the national average wage in their native country. Unemployment is high in these areas and therefore this is of some importance.

I would then state I would be happy to answer any questions that you have, Mr. Chairman.

Mr. BIAGGI. Mr. Kane.

## STATEMENT OF ARTHUR KANE, VICE PRESIDENT FOR CORPORATION RELATIONS, NORWEGIAN CARIBBEAN LINES

Mr. KANE. Mr. Chairman, Mr. Congressman, my name is Arthur Kane, and I am vice president of corporate relations of Norwegian Caribbean Lines, which has five ships, including the S/S *Norway*, based at the Port of Miami. Our company also owns Royal Viking Lines which has three ships based in San Francisco.

Mr. Chairman, I am aware that during a recent visit to Miami you remarked that our cruise industry was not well known or un-

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derstood in Washington. For this reason, I am particularly pleased to be able to address your committee today and to answer whatever questions you may have concerning our industry.

Although we are involved in foreign commerce, I do not view our business as being that of shipping but rather as the youngest segment of the U.S. tourism industry, today the second largest revenue producer in the U.S. economy. The total number of cruise berths available industry wide is less than the number of first-class hotel beds available in several American cities.

Yet, our industry, because of its total package product, provides a very significant impact on the U.S. economy, including Puerto Rico and the U.S. Virgin Islands. Added to this is the very important contribution that our industry makes to our friends in the Third World countries of the Caribbean Basin.

The success of our industry in the last 15 years, a success demonstrated by the increase in the number of passengers annually and the number of ships serving them, is the result of the quality of our product and the value for the customer's dollar which the industry offers.

The quality control which a cruise line has over its product from the moment the passenger boards the ship until they disembark at the end of the voyage, makes it possible for the industry to achieve the highest level of satisfaction among passengers over other tourism or vacation alternatives.

Mr. Chairman, realizing that others appearing before this committee will provide many other facts of interest to this committee, I would like to focus simply on the economic impact of our industry on the Caribbean and the U.S. economies.

First, the Caribbean impact. Although Norwegian Caribbean Lines employs more than 30 different nationalities onboard its vessels, as was pointed out by one of the previous speakers, half of our onboard personnel are from Caribbean Basin countries.

Our Norwegian Caribbean Lines crew return, for example, over $15 million dollars of wages to their families in Jamaica alone each year. Our employees onboard provide excellent service to our passengers and for this they are well paid in order that Norwegian Caribbean Lines may maintain its reputation for high quality service onboard. At the present time, these wages represent considerably more income to our personnel then they might have expected to receive from employment in their home countries.

Of even greater economic impact to the Caribbean Basin countries is the result of the visits from our cruise passengers during ports-of-call. In 1984 the ports of the Caribbean received over 3.7 million cruise visitors.

This translates into expenditures by passengers of $65 million in the U.S. Virgin Islands, $63 million in the Bahamas and $26 million in Puerto Rico.

Other individual ports in the Caribbean had lesser receipts, but nevertheless they were significant in the light of the local economies and the multiplier effect of these expenditures.

Still another important fact concerning the Caribbean impact of the cruise industry is the undeniable fact that the cruise industry introduces people to the islands for the first time.

A very large number of cruise passengers return to the islands on their own as hotel visitors. Overall, the impact on the Caribbean of the cruise industry is very substantial and deserved by these nations and their peoples who have for so long been friendly neighbors of the United States.

Secondly, I would speak to the impact of the cruise industry on the U.S. economy.

In 1984, Norwegian Caribbean Lines carried 26 percent of all the passengers who boarded in the Port of Miami for a cruise of 2 days or longer. Our Miami operations alone purchased $145 million of goods and services in south Florida. According to established economic forecast procedures, this figure translates into an indirect impact on the south Florida economy of $326 million from the operation of Norwegian Caribbean Line alone.

Airlines, hotels, ground transport, rental car companies, travel agents, advertising agencies, and the media are only some of those who receive substantial amounts of their income from the cruise industry.

Although our company is owned predominantly by Norwegians and our ships all fly the Norwegian flag, Norwegian Caribbean Lines and Royal Viking Lines together employ nearly 1,000 Americans or approximately 25 percent of our total workforce ashore and at sea.

This number of U.S. citizens employed by our company does not, of course, reflect the very large number of Americans employed by our advertising agencies and other major suppliers of services to our company.

Finally, as the director of the Port of Miami has already supported, the cruise industry is largely responsible for the tremendous and very substantial growth of the Port of Miami that has taken place over the past 18 years since the introduction of the modern cruise industry in this port. The tremendous growth of this port and the trade that it has brought to this area has obviously had an impact on the entire south Florida and U.S. economies. Thousands of jobs have literally been created on and around the activities of this port.

Mr. Chairman, I would like to conclude my remarks by saying that the shipping industry has always been a major factor in foreign commerce. It has tied together nations and made possible the transfer and trade of their goods across oceans. The cruise industry represents a different sort of trade but nevertheless ties together the economies of the United States and our flag nations. We transport people rather than goods and our passengers come to know the peoples of the Caribbean Basin and how they live. The cruise industry is highly competitive and this competition guarantees our passengers the highest value for their tourist dollars.

We also provide our passengers with a high level of satisfaction through the excellent service which they receive while onboard our vessels. The value, service and economic impact that our industry makes on the United States and Caribbean economies are what makes our industry an important participant in the U.S. tourism market. Thank you, Mr. Chairman.

Mr. BIAGGI. Mr. Chabot.

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## STATEMENT OF BERNARD A. CHABOT, PRESIDENT, EASTERN CRUISE LINES

Mr. CHABOT. I have no prepared statement.

Mr. BIAGGI. Do you wish to make any comments?

Mr. CHABOT No, sir.

Mr. BIAGGI. Tell me about the bologna sandwiches, Mr. Kane.

Mr. KANE. Sometimes you can get tired of eating steak. On our ships you may order a bologna sandwich served to you in your cabin if you would care to call for room service and that is what you want. You will have a bologna sandwich served to you, at afternoon tea or at poolside lunches when people don't care to go to the dining room. But there are available to them many other choices at that time.

Mr. BIAGGI. Do you have your own kitchen staff, or do you cater it out?

Mr. KANE. We have our own.

Mr. CHABOT. We have our own.

Mr. STEPHAN. No, we have a caterer as such.

Mr. BIAGGI. Where is he from?

Mr. STEPHAN. He is a concessionaire. Actually, the gentleman who runs this catering firm, his father used to own all the old ships out of the Port of Miami when initiated in the early days going back to the *Bahama Star* era, very well versed in the area, and particularly in the Caribbean, he had an extensive business in the Dominican Republic and what have you.

Mr. BIAGGI. How is the quality and service of his food as compared to his competitors?

Mr. STEPHAN. Tops. I would say it is right on top.

Mr. BIAGGI. Mr. Simpkins' No. 1 proposal is that we extend the Jones Act and Passenger Ship Act of 1886, so that only American-flag ships could engage in the trade. Were we to do that, what impact would it have and what recourse would you have?

Mr. STEPHAN. Mr. Chairman, obviously, first we wouldn't be very happy about that, but I would say that there would be, of course, adverse reaction. Probably cruise ships, if they were really prevented from, for example, going out of the Port of Miami would relocate, many of them probably in the Caribbean area. They would set up bases there and they would simply fly the people from the cities around the United States, if air fares aren't that expensive, and put them in there.

They may have more added expenses on some supplying vessels, but then again they would also save a considerable amount of money that we would spend at the Port of Miami itself, and in particular, ILA labor, for example, in the Port of Miami, which we have a very good relationship with. So, I think, that they would probably even out to some degree.

There are ships now that are starting to relocate in some areas of the Caribbean, although I must admit at this stage of the game they are a small amount of vessels. Probably some of them are a little older than others that would be in other ports such as Jamaica.

And, I think, that as far as the Caribbean area itself, for those who wanted to service the Caribbean, they would probably then be

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forced to relocate, and they would probably air-sea everybody in from the various cities around the United States. Instead of probably using the regular aircraft so much, they would probably charter a lot more aircraft. There would be many ramifications. We really haven't thought it through, so to speak, but there would be many ramifications on that.

I think that the business would take a look at their position and say, all right, where do we go from here, and I am sure their reaction would be first to go to the other governments and get the objections. Norway would object; Caribbean countries would object.

On the other hand, I think they would also take a look and say, all right, if this is passed upon us, where would we operate, and immediately they would go so far, the Bahamas, Jamaica, other island communities.

Mr. BIAGGI. So the possibility of a U.S.-flag cruise industry developing, well, they would still be competing with you folks?

Mr. STEPHAN. Yes, absolutely.

Mr. BIAGGI. What would the impact on the Port of Miami be?

Mr. STEPHAN. I think I would say it would certainly be tremendous. I think it would also be for the south Florida area if they lost the cruise ships out of there and they went into the Caribbean area. Then, of course, you could say it would benefit perhaps some of the islands in the Caribbean somewhat more.

I frankly think that they are in the right place as they are now, and I think the contribution they give to the community would certainly be a trememdous loss, to labor as well. We talk about labor shoreside. We talk about labor ILA, so it is not that it is just a labor on the ships.

Mr. BIAGGI. Mr. Kane, you stated that 25 percent of the personnel are U.S. citizens?

Mr. KANE. We have 4,000 personnel between our two companies, 1,000, and I say nearly because I couldn't get an exact headcount, but it is over 950, 980, in that area.

Mr. BIAGGI. In what areas are they employed?

Mr. KANE. Of course most are employed ashore. Onboard the vessels they are all in the hotel side as we call it, to distinguish it from deck and engine, because by law deck and engine crew must be Norwegian.

Mr. BIAGGI. By your law?

Mr. KANE. By Norwegian law, yes. It is true that a high percentage of entertainers obviously are American, but not all. They are in all hotel areas.

Mr. BIAGGI. I am sure you do. We have seen some of them on our screen. In what capacities the hotel side?

Mr. KANE. In all levels, sir, in all capacities, maitre d's, pursars, cruise directors, right on down. There are not American stewards, perhaps, because these staff are mostly Caribbean Basin citizens on our ships. We have been calling in Jamaica for the entire 18 years of our company's existence, for example, and at one point we had one ship calling at three ports in a single week all in Jamaica.

We established a strong rapport with the Government of Jamaica which made a number of requests of us with regard to crewing and that relationship has been beneficial over a period of time for the people there and for the company.

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Mr. BIAGGI. You train the people?

Mr. KANE. Yes, sir.

Mr. BIAGGI. You train them in relation to safety and fire drills?

Mr. KANE. Absolutely. I might add that the Norwegian Ships Control, under which our companies fall, is strict or stricter than the United States Coast Guard, sir.

Mr. BIAGGI. What do you say about that, Captain Tanos?

Captain TANOS. Mr. Chairman, there are some very strict training regulations in various countries, but not all of them.

Mr. BIAGGI. Is Norway one of them?

Captain TANOS. They are one of the top ones.

Mr. BIAGGI. How about the other lines represented here?

Captain TANOS. I don't know of any of them here that have any problems. I think we are looking at some A.B. certification on some of the ships that are not trained in a formal way but aboard ship, so we will be looking at that to see if it is adequate.

Mr. BIAGGI. How many U.S. citizens does your company employ, Mr. Stephan?

Mr. STEPHAN. It is about 20 percent in the total situation. I would say that many of the American jobs might be somewhat on the higher side. I think that we would say the managing personnel, officers that we have in the catering department could tend to be American, as well as entertainers, as well as purser, as well as cruise staff.

As you go down the line we would have more from the Caribbean areas, and, indeed, as I said, 50 countries of the world, some who specialize, say the Chinese laundry we have downstairs, as well as those who as I stated are young men from the Caribbean islands, who indeed have no training until they come to us, who we train and put them onboard, and who indeed make a lot more than they have a chance to in this country if indeed they have a job.

As I stated, obviously, we are perhaps not the solution to the whole situation of unemployment in the Caribbean, but certainly it is something that is needed now, especially with the loss of other jobs.

I just saw an article this morning again that 3,000 would be dropped due to this oil refinery deal in Aruba, which is 20 percent of their labor force. Those are big figures.

Of course, as I said, we can't solve that problem, but I would say that these young men that are on the ships have the best conditions. They certainly, in addition to their basic wages, can save everything they have. Everything aboard is provided for them, medical, food, clothing, so they do have the opportunity to go back home and start little businesses, as was mentioned.

When we talk about the basic wage, it certainly has changed in the years as such, but, I think, when Carmen Lunetta mentioned this 1,000, certainly for the great majority of ships, on averaging this out, I think, that is a valid figure. That does include tips, but tips are part of a guarantee program. In our case, the Norwegian Seamen's Union represents also the hotel department as well as the deck and engine.

The agreements here, which are pretty much in line with what we had anyhow, certainly the lowest, I would say the lowest today including everything, we couldn't find the man on a ship that

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doesn't make let's say $750 a month. And when you put that in terms of some of the island incomes, some of them can send a lot of money home.

Certainly we go much further. I think that in today's cruise ships, it shouldn't be a myth that the salaries we pay also are just because we like to pay them. Supply and demand has a tremendous amount to do over this. We have to go out, if we find let's say cooks in Switzerland, in Austria and Denmark, they are not forced to come on our ships and they get substantial wages and benefits onboard the vessels.

In our technical applications, the way ships are run today, you just can't pick people off the streets and train them. They have to have gone to academies, and they certainly have other options. So we have to go in the world markets and find the supply and demand. Frankly, some of the physicians we have you couldn't find in the United States even in the qualified areas.

These ships are more modern today. You really can't have unhappy crews aboard the vessels as such and be successful. They are too large. American passengers are aboard and it wouldn't behoove us to have unhappy faces and complainers on the ships themselves. We want people aboard our ships who probably get paid somewhat more than they could expect, and that they are happy with their positions as such, and when we do see that that is not the case for any reason, we certainly would rectify it.

Frankly, when I say 50 nationalities, we are sort of proud of that, in a way, because, OK, we are an international company, and as was stated, 20 percent Americans, but here again we have 50 nationalities, particularly in the Caribbean area, that work very well together, and we like to consider it on a basis that we do that for them. I don't think we would feel too good if we were mistreating our people, for example. So we feel very strongly about it, that it is a situation we have, and particularly in the Caribbean area. Granted, as we said, we are not hiring all Americans, that is very true.

Mr. BIAGGI. Given the concession that jobs pay $53 a month, they are held hostage because of the airfare, and they are given poor quarters to live in, poor food, poor nourishment, and no grievance procedure, what is the rate of departure, turnover?

Mr. CHABOT. It would have to be almost 100 percent at those wages.

Mr. STEPHAN. I would say that probably you are talking about that 46 percent of our people are 5 years and longer on our cruise ships as such. Most of them have been young men. A lot of them will, indeed, return to their native country after a certain period of time, on their own wish as such. Some will come back at a later date.

We think that when we stipulate about the conditions, and that obviously $50 is just a myth—there is no such thing on any cruise ship; you can't get people to work for that even if you wanted to—I think that most of the cruise ships, even some of those who may indeed pay less, are not anywhere near that, when you take their total compensation.

Again, as I said, there are certain benefits also, the complete saving, the complete maintenance and complete hospitalization, and indeed even here——

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Mr. BIAGGI. Back up a little bit. What are you saying about savings and hospitalization?

Mr. STEPHAN. I say they have the other benefits in addition to their salaries, and including their tips, but they are completely cared for and all money they have can indeed be saved by them as such. They are not spending. It was mentioned that they have higher costs because they are in American waters.

If they get off the ships in Miami, that may be true. Many of them do at times, of course, get off. But indeed, they have all their meals, all their maintenance, and in our case even uniforms are all paid by the company, and all their hospital expenses.

Mr. BIAGGI. Uniforms are paid for by the company?

Mr. STEPHAN. In our case, yes. I don't know which one was referred to. Maybe there are some who make them pay for their uniforms, but we don't.

Mr. BIAGGI. What about the airfare question?

Mr. STEPHAN. The airfare question, basically we pick up. In our company we go ahead and we pick up the air fare from them bringing them back. I know why this has been done by certain companies, and I think even one of our people sometime in the past. The reason for that wasn't that the company was really looking to get that last dollar from a crewmember, making him poor if he wanted to go home.

They were faced with a situation where some of the crewmembers, particularly we might have said in Europe—Italian waiters, for example, would sign up through a personnel agency in Europe with the intent to just go 2 or 3 weeks and indeed then just quit with let's say on his part no intention really to stay, and at one time for some lines it got quite extensive.

The word got out that a 3-week vacation on a ship, you eat good for 3 weeks, just go back and you have to pay for your ticket. Some lines came up and said: OK, we don't handle the ticket. Or others said, we will pick up the ticket after you have been with us for a certain reasonable period of time, therefore to eliminate those who abuse that privilege, but in our case we pay for the period and we hold people responsible on the other side to make sure they will send us people who will not leave the next day.

Mr. CHABOT. Yes, we pay for the airfare home.

Mr. BIAGGI. Ms. Wilkinson, our chief counsel, asked, if you hire women?

Mr. CHABOT. Yes, we have a woman deck officer.

Mr. BIAGGI. Is this the total, one woman?

Mr. KANE. He has only got one ship.

Mr. CHABOT. The cruise director.

Mr. WHELPTON. Mr. Chairman, if I may, we do hire women in all phases of our operation. We hire them both ashore as well as onboard the ship, and there are many, many positions that we have on the vessel that we hire women for. The purser staff, the officer categories, the gift shop, the beauty salon. There are some other areas that we hire women. Cruise staff. We also hire a lot of young ladies ashore. Almost our entire reservations departments are predominantly female. Our district sales managers, our sales staff. So we are well represented.

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Mr. BIAGGI. Don't you have any women cleaning up the bedrooms? That is the traditional role. [Laughter.]

Mr. WHELPTON. Some of the vessels do have female cabin attendants. You are very accurate. We do not, but many of the cruise ships do have female cabin attendants. I would also like to make a couple of comments regarding some of the union affiliations and regulations. The Norwegian Seamen's Union represents the hotel catering crews on our vessels. They have what is called a hotel catering agreement which is a separate agreement negotiated with the vessel's owner to specifically cover the hotel catering crew. The vessel has minimum wage standards. It has minimum hour standards. It has overtime requirement. It has holiday requirements, and the figure that has been bandied about of $1,100 a month is a factual figure.

That figure is not paid in cash. It is a form of a cash payment, and gratuities. However, the shipowner guarantees the payment. The crewmember doesn't make the payment. The shipowner pays him. So in fact, they are compensated.

We have had claims in the past, and we have paid these claims when they arise, so that is a very accurate and factual figure.

The hotel catering agreement that we have on our vessels was used to formulate as a basis to formulate the ITF agreement, and, in fact, the hotel catering agreement that we have is stronger in many aspects than the ITF agreement.

I can also speak to the issue of the human rights of our crewmembers. We are very familiar with the Seamen's Church Institute, the Center for Seafarers' Rights. The Reverend Winamore has been down here, Dr. Chapman has been down. We have had several meetings with them over the last couple of years. They have made cruises on our vessels. They have inspected the vessels, and we have discussed at great length the human rights of our crewmembers.

Recently they have just lauded two of our companies in the fact that they were very exemplary in these aresa, so we are very concerned about that.

As far as the bologna sandwich, I would like to answer your question by saying that we have specific menus for our deck and engine crew. We have totally different menus for our hotel crew. We have different holiday menus at different times of the year for their holidays as well as the American holidays that are celebrated onboard, and there is no attempt at subterfuge. We post the menus. The crewmembers have a voice in what they are served. We discuss the menu content with them. In fact, the menus are prepared by the vessels and recommended to the companies ashore, so we are very keenly aware of the bologna-sandwich issue.

Mr. BIAGGI. I would take a bologna sandwich at this point.

Mr. WHELPTON. I would be pleased to join you. Thank you, Mr. Chairman.

Mr. BIAGGI. Mr. Kane and Mr. Chabot, would you like to comment on what Mr. Whelpton has said? How do your companies treat the crews?

Mr. KANE. The very same. NCL is under the same ITF agreement, obviously, that he is. I might add a little additional color. On our *Norway* we have such a large crew of over 800 people with a

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large number of nationalities, that we prepare food, we actually have a Korean kitchen, a Jamaican kitchen, a Norwegian kitchen, in addition to the European-American style kitchens that are preparing for the passengers. We do see that they get their own foods.

Mr. BIAGGI. How about the allegation that jobs are bought and sold?

Mr. WHELPTON. I could just speak to that issue for a moment. We do have crewing agencies worldwide. We do not recruit any crewmember that is not interviewed in advance. We have very specific requirements regarding our needs and necessities. They are explained to the crewmembers. They are given a verbal interview as well as a written examination.

I can assure you that if we at all ever catch any of our crewing agencies charging commissions or kickbacks to give a crewmember a job, we would absolutely change the agency immediately. We just don't allow it.

Mr. KANE. Absolutely true.

Mr. BIAGGI. On another tack, Mr. Simpkins obviously has the desire to place some hardcore unemployed in positions of employment, by virtue of facilities for training those individuals. Is it within your contemplation to employ them?

Mr. STEPHAN. Mr. Chairman, I was thinking about that, because I knew we would be asked that when I was sitting down here. I would be less than honest if I were to tell you that we are too much in favor of such. We do train our own and we would probably want that within our control.

I read a little more into that, perhaps, than just the welfare of those people in Miami to be trained. Obviously, I would be sympathetic, but if we train people we want them to be trained by ourselves, in our program, and not have let's say the NMU or their associates do it for us.

I don't want to sound callous on it, but I think you asked the question and you deserve an honest answer. At least my first reaction is probably not from our side.

We have our nationalities, for example, I mentioned American is our No. 1 if you include shoreside, but then we go to Jamaica, and then we go to Norway. Norway, most of them come trained. Jamaica we have to train to quite some degree, and we are quite rewarded with these Caribbean applicants we get. They are very eager for the jobs.

That doesn't mean we couldn't take a look at that, but my first reaction is I can see some problems inherent in that, other than just training young men for the job.

Mr. BIAGGI. Conceding that you would like to train these young fellows yourself to conform to your system, would you have difficulty employing them?

Mr. STEPHAN. Difficulty employing them on our ships as such? Maybe. I would have to think that one over somewhat. If we weren't in control of the training program, I would think so, yes.

Mr. BIAGGI. You would have difficulty, or you wouldn't have difficulty?

Mr. STEPHAN. I would have difficulty.

Mr. BIAGGI. If you were in charge of the training program?

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Mr. STEPHAN. I see. No. I would say that other than taking just for the moment the political issue out of it, so to speak, then maybe not.

Mr. BIAGGI. Now bring the political issue into it.

Mr. STEPHAN. I was afraid I wouldn't get away from that. No, I think here again we read much more into that. We feel that when you take a look at the overall benefit, you are benefiting people as a whole. Where are we benefiting? We are benefiting people in Miami right now who might not have had jobs. Maybe they would too, but certainly we have a lot in Miami proper from the labor force, ILA to our office staff, and then, indeed, those in the Caribbean also.

Therefore we would say that total amount of jobs that we create right now, and the amount that we would have by further expansion into the area, certainly would perhaps make up much more than those we could train locally under the proposal that I heard here just a few moments ago.

We say that we want to have more people working, both Americans and both in the Caribbean, and we would like to do that, obviously, and as I mentioned, our expansion programs that all three of these present lines are considering.

Mr. BIAGGI. Mr. Shaw had to leave, but before he left he asked me to pose the question. Does the Norwegian crew speak English?

Mr. WHELPTON. Absolutely.

Mr. STEPHAN. In fact, when I go to Norway all I basically speak is English.

Mr. BIAGGI. Another tack—do you have any problems in connection with gambling, and, if so, what are they; if not, how do you operate?

Mr. STEPHAN. Frankly, let's say going back perhaps 20 years, we utilized basically only slot machines as a form of entertainment for the people onboard, and although it wasn't our main revenue, certainly it was a good revenue, substantial.

As of late, a lot of our passengers considered this, through advertising, as a casino, which one doesn't. If I took our company just for the moment, out of our four ships we have one casino on *Song of Norway*. In our latest ship we put in *Song of America* just 2 years ago, we didn't even put a casino in it. We contemplate doing that in the future, blackjack and roulette only, and we want to do that as a passenger-enhancement only.

We do not try to encourage gambling on the ships, as such. Frankly, it is not our clientelle. If we were strictly in the gambling business, I think people would fly in and out much quicker, would go on junkets as such.

Right now we don't make much money on our tables at all, when you take everything into consideration, the croupiers you need, the cabins, and the table income we have. We about break even. However, we do still, as we have in the past, make very good income on slot machines, and that is people, everybody aboard likes to utilize the slot machines. We have tried to utilize companies that we think are above it.

We use Casinos Austria, which is run by the Austrian Government, so that, frankly, this is the request of the Norwegian owners to make sure, indeed, that that application is kept way up there.

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And they have accepted it on the basis of this particular concessionaire. We think it is a passenger enhancement. We don't really encourage it as such, but we probably will, on our other ships, although we didn't start with it, put in some tables in addition to slots.

Mr. BIAGGI. Mr. Kane.

Mr. KANE. We only recently within the last 3 years introduced full casinos. We too only had slot machines prior to that. We introduced full casinos simply because a number of passengers, a small number actually, probably well under 10 percent, asked for it. And so we put it on as an enhancement as well. We started it in the same fashion as RCCL did. The Casinos Austria, which is a very reputable government-controlled organization in Austria, set it up for us and ran it, and it is now run by an English firm.

Mr. BIAGGI. Do you make money?

Mr. KANE. We make a little bit on it, yes. If you could have just slots, it would be more profitable.

Mr. BIAGGI. Mr. Chabot.

Mr. CHABOT. Mr. Chairman, we have been operating a casino on our vessels since 1978, and as Mr. Stephan said, and also I believe Mr. Kane, it is there for a passenger attraction, passenger enhancement. We don't operate junkets or push it.

We have very good control. We operate our own casino. It is not a concessionaire. We have a good setup onboard the ship. It is operated outside the legal limits of the United States, and closes when it is in ports in Nassau, for example. There are not too many hours that the casinos are open.

Mr. BIAGGI. Some cruise industry experts say that you have too many ships in the Caribbean area now. You may be confronting some difficult times ahead. How do you respond to that?

Mr. STEPHAN. Mr. Chairman, I tend to agree with that for the immediate future. I think there is, and will continue to be for some time, overcapacity. The companies who are building at this stage of the game are even recognizing that as such, are willing to say all right, if the times ahead are somewhat difficult we can weather this storm and we are bouncing ahead for the future, which they see in the long run as continuing up.

Probably there have been quite a few of the larger ships entering, some of the older ones, and some new ones coming in, and I would say through 1991 I would see overcapacity as such.

Now, when I say overcapacity, that doesn't mean I am inferring that everybody is going to go broke, or even some of those on the fringes would go broke. But, I think, it is going to be rougher for some cruise lines in the years ahead, and, I think, that perhaps a lot of the lines are watching their market share at this stage of the game, and that is why some of the decisions will still be made to go ahead and expand.

Mr. KANE. That is exactly it.

Mr. WHELPTON. Mr. Chairman, if I may, I would like to also speak to the perception issue. There is a perception, a mistaken perception, that the cruise industry caters to rich people. With the competitive aspects that have just been described by Mr. Stephan, I can tell you that our target markets are families with a total family income of $35,000 per year, and with the competition

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coming online the way it is, it is certainly driving the price of a cruise much closer to the cost of one, and that is the basic foundation for a volume economy cruise industry which we describe ourselves as. So the perception that we are a rich man's vacation grounds is unfounded.

Mr. BIAGGI. Perhaps not your lines, but the *Sea Goddess* is.

Mr. WHELPTON. That is correct.

Mr. BIAGGI. They told me last night they have hot and cold running water and many other amenities.

Mr. WHELPTON. They appeal to a very, very small percentage of the total market segment, though.

Mr. KANE. The Caribbean will remain the most popular tour or cruise destination, I think, for the simple reason that you have in proximity to the United States. Second, you have such a variety of cultures and histories as each of the islands has its own unique character.

Finally, I would say that those ships based in the Los Angeles area and sailing to Mexico don't have the same variety of ports, though the competition there is pretty stiff as well. The Caribbean is a year-round cruise destination. That is why the Caribbean will remain the most popular cruise destination.

Mr. BIAGGI. Mr. Chabot, do you feel the same way?

Mr. CHABOT. Yes, I do.

Mr. BIAGGI. Do you have any plans to take advantage of the new flexibility in the laws regarding stops in Puerto Rico?

Mr. STEPHAN. Mr. Chairman, basically I would think that that is going to have very little effect, certainly, on our cruise line and most likely on others. Most of the crews are round trip. Everything is packaged, and that is to get the lowest price possible, including the airfare, from in our case, California is our biggest State, and I think that the idea of one ways from Puerto Rico to the United States happening at the same time that there would be one-way space available on these cruise ships is rather unlikely.

I stated that I don't know if we have taken our first passenger one way and we certainly go on two of our ships to San Juan, so, I think, it would probably have very little effect, and it may surprise me, but I don't expect to see any ship going into that service as such, and I doubt if there will be very many who will take advantage of the one way, other than, perhaps, seasonally, if they have a few empty berths, and some of the residents in San Juan who may not want to fly might want to take advantage of it, but, I think, for us it would be negligible.

Mr. KANE. The same, Mr. Chairman.

Mr. BIAGGI. I have a number of other questions. I am not going to pose all of them to you. Perhaps we will give them to you and you can respond to us in writing. There is one that always fascinates me because the entrepreneurial nature never changes. Do you believe there is a coastwise cruise market?

Mr. STEPHAN. I believe it is perhaps less than many of us would envision. We have tried a test program here several years back and we were going to go ahead and try to break some of the more attractive cities into our itinerary. Frankly, I was rather taken back by how negative the results were, and we took a few shellackings on several of the cruises. Let me give you an example. We said let's

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put Nassau and Savannah along with Disney World. You bring people in from Europe who like Disney World who might want to see Savannah, a beautiful port.

From a sales point of view it didn't seem to work very well. When the people got on there, if you don't go for it you are not seeing anything. Frankly, I was a little annoyed at it, because some of these ports to go into are extremely beautiful. We had one with 10 days also going to Mexico, the Bahamas, and New Orleans, and we figured that they would come in the right time in the morning going up the Mississippi, a river at that time at noon, leave the other times so they could get this view here, try to bring in some from England and the other areas also who would have liked to have seen it that way.

Frankly, Americans who have probably never seen these ports by sea, if they have seen any of these cities anyhow—and it was less, and it was much less than we would have expected—and indeed, we didn't repeat it the very next year.

I still, myself, don't quite understand why they took that, but we read comment cards after comment cards. For some reason a lot of our passengers just didn't quite see it that way. "If I want to see New Orleans I can go by car." Answers that really didn't make much sense to me. I wanted to say, did you like to see it going up the Mississippi? Where are you going to see that any other way? But it was less than what we expected, which would make me think that on a lot of these, other than perhaps short cruises, and maybe combined with a foreign port, that I don't think it is as much as I would have thought just a couple of years ago. I don't see all that much potential right now.

Mr. KANE. We had the same experience, Mr. Chairman. A couple of years ago we introduced a port of call at Key West, which is still part of the State of Florida, although sometimes they threaten to secede from the State, and Key West is an excellent port as far as facilities and interesting activities for the passengers to do ashore. But it was very hard to sell because the people said that if you are going for a cruise you don't cruise to Florida, you cruise somewhere else. This is especially the same story that Mr. Stephan told.

Mr. CHABOT. We had the same experience. We operated a vessel into Cape Canaveral with a tour into Orlando for Disney World and it didn't work either.

Mr. BIAGGI. Do your companies pay corporate taxes in the United States?

Mr. STEPHAN. Mr. Chairman, no, we don't. They are channeled back to Norway. We have a tax reciprocal with Norway, and in our case, and I guess in your case, so of course we don't.

Mr. KANE. We have American companies which are wholly owned subsidiaries of Norwegian Caribbean Lines, companies that we acquired, for example, that do pay Florida and U.S. taxes.

Mr. STEPHAN. Actually that is our case too. We obviously, with the American Co., are paying American taxes, Royal Caribbean Cruise Lines, Inc. The bulk of the funds would indeed go to Norway where they are completely taxable in Norway, and completely in agreement with the United States on a tax reciprocal basis.

Mr. BIAGGI. Do your employees pay U.S. taxes?

Mr. STEPHAN. Yes.

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Mr. KANE. Yes.

Mr. STEPHAN. I put it this way: Certainly all Americans do, as far as I would know. There may be some in the Caribbean who don't do what they should do, but I basically think our people in the European countries do pay their taxes. Certainly all our Norwegians pay taxes.

Mr. BIAGGI. I want to thank you very much, gentlemen.

Mr. KANE. Thank you, Mr. Chairman.

Mr. BIAGGI. The meeting is adjourned.

[Whereupon, at 12:20 p.m., the subcommittee adjourned.]

[The following was submitted for inclusion in the record:]

STATEMENT OF HON. DANTE B. FASCELL, A U.S. REPRESENTATIVE FROM FLORIDA

Mr. Chairman, I appreciate having this opportunity to submit testimony to the Subcommittee on Merchant Marine regarding the cruise ship industry and its significant contributions to our domestic economy as well as to the economies of the Caribbean nations.

The Port of Miami is served by more passenger cruise ships than any other single port in the world. Twenty-two out of a worldwide total of 89 cruise ships serve Miami and together generate $800 million in direct local purchases and 3,000 jobs for residents of Dade County. Another 1,400 local jobs are created by cruise ship passengers indirectly through the interaction of their purchases with all other industry. The total economic impact of the cruise industry on Dade County in 1982 was $546,071,000.

The contribution of the industry to the overall U.S. economy is even more impressive. Nationwide, the industry is responsible for $1.2 billion in direct purchases. Twelve thousand Americans are directly employed and another 20,000 indirectly employed, exclusive of 100,000 travel agents.

Because of the cruise industry's substantial impact on the economies of the Caribbean nations, the industry has become an important element in the effective workings of one of this nation's more recent foreign policy proposals, the Caribbean Basin Initiative (CBI). Through the CBI, the Congress proposed a long-term commitment to the island nations to self-sustaining, long-term economic growth, which would in turn ensure and strengthen democracy.

Tourism is the single most important issue facing the Caribbean nations and the most reliable source of U.S. dollars. Cruise vessels serving these nations represent a direct input into the development of the tourist industry. For example, in 1984, three million cruise passengers disembarked in Caribbean nations and spent approximately $55–$70 apiece at each port visited on taxi fares, tours, meals, beverages and other purchases.

The vast, underemployed Caribbean Basin labor force benefits substantially from the cruise vessels serving the islands. Caribbean Basin nations supply 40% of the cruise ship personnel. A Caribbean crew member who might earn as little as one or two dollars a day in his or her home nation earns, on the average, a minimum of $1,100 per month in base wages. Additionally, most cruise personnel are well protected by very strong international union agreements and are provided medical benefits and clothing allowances as well as room and board.

Mr. Chairman and Members of the Subcommittee, a great number of all cruises worldwide move through the Port of Miami or other Florida ports. We are obviously proud of this fact, and appreciate the opportunity to express to you the important contributions of the cruise industry to the domestic economy of the United States and to that of our neighbors to the south. Finally, I believe that the industry should be recognized for its important role in the effective workings of the Caribbean Basin Initiative.

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STATEMENT OF HON. DAN MICA, A U.S. REPRESENTATIVE FROM FLORIDA

As Chairman of the Subcommittee on International Operations, I appreciate the opportunity to submit testimony to the Subcommittee on Merchant Marine on the subject of the cruise ship industry and its contributions to the U.S. and Caribbean Basin economies. The Florida-based cruise industry plays a vital role in the economic expansion of South Florida and the Caribbean Basin.

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Of all cruise passengers worldwide, 85-90% are Americans. Some 70% of all cruises taken worldwide pass through Florida ports. Cruise-related revenues generated at five Florida ports exceed well over $700 million. Cruise ships at Florida ports directly employ more than 12,000 Americans.

The cruise ship industry is important to the entire tourism industry of Florida. Expenditures during extended stays in Florida by cruise ship passengers average approxiately $75 per person per day. A large percentage of all air passengers arriving in Florida on weekends have arrived to take a cruise.

The cruise industry also makes a significant contribution to the overall U.S. economy. In addition to the 12,000 employees mentioned earlier, another 20,000 Americans are indirectly employed by the industry. Note that these figures are exclusive of travel agents, of which there are 100,000 nationwide.

Throughout the U.S., the industry makes over $1.2 billion in direct purchases, including purchases for services from U.S. airlines, U.S. hotels, U.S. advertising, U.S. port charges and U.S. food and beverage services. For example, in 1984, approximately 58 cruise ships purchased over $342 million in airfare from various U.S. airlines and added another $144 million to the U.S. economy for food and beverage services.

As Chairman of the Subcommittee on International Operations, and recognizing the contributions that the industry makes to South Florida and the United States, I believe that the industry makes an even more significant contribution to the Caribbean Basin. The cruise ship industry takes passengers to the Caribbean Basin 52 weeks per year. During the 1979 internal crisis in Jamaica, the cruise ship industry continued taking passengers to that island nation every single week.

In light of the Caribbean Basin Initiative, the cruise industry probably does more for that area of the world than does the U.S. government. During 1984, various island nations in the Caribbean received 3 million cruise visitors. As examples of the dollar input into the Caribbean by cruise passengers, $65 million was spent by them in the U.S. Virgin Islands; $63 million was spent in the Bahamas, and $26 million was spent in Puerto Rico.

Dollars spent in the Caribbean are better spent there than in any other area of the world because $.80 out of every dollar spent in the Caribbean returns to the U.S. Caribbean nations import many of their goods and services from the U.S.

Caribbean Basin nations supply 40% of cruise ship personnel. Caribbean nationals who might earn $1 or $2 per day in their home countries are paid base wages of $1,100 per month and are usually protected by strong union agreements.

There are other, equally impressive statistics on the cruise ship industry's impact in the Caribbean. $1.5 billion worth of cruise ships are presently being built for service in the Caribbean. 15,000 additional cabins will be added to that area of the world over the next 3-5 years. This will have an inestimably positive financial impact on the Caribbean Basin.

Mr. Chairman, I could go on for a very long time citing impressive statistics on the cruise ship industry. In sum, I would like to say that this industry, little known outside the State of Florida, makes very large contributions to the South Florida, U.S., and Caribbean Basin economies.

I thank the Chairman for allowing me to submit this testimony for the record.

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STATEMENT OF LAURENCE S. FARER, M.D., ACTING DIRECTOR, DIVISION OF QUARANTINE, CENTER FOR PREVENTION SERVICES, CENTERS FOR DISEASE CONTROL, PUBLIC HEALTH SERVICE, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. Chairman and members of the Subcommittee: I am Dr. Laurence S. Farer, Acting Director of the Division of Quarantine at the Centers for Disease Control (CDC). I am pleased to have the opportunity to submit this statement for the record concerning the Vessel Sanitation Program.

Authority for the Public Health Service (PHS) to conduct passenger vessel sanitation inspections is contained in Sections 361(a) and 366(c) of the PHS Act. These sections provide that regulations may be promulgated and enforced as are necessary ". . . to prevent the introduction, transmission, or spread of communicable diseases from foreign countries into the States or possessions . . ." and ". . . for the purpose of preventing the introduction into the States or possessions of the United States of any communicable disease by securing the best sanitary conditions of such vessels, their cargoes, passengers and crews." To carry out and enforce such regulations, the Public Health Service is authorized to provide inspections, including control measures as may be needed.

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Sections 71.31 and 71.41 part 71 of title 42, Code of Federal Regulations (revised February 11, 1985) cover inspection of vessels arriving at ports under the control of the United States to determine if health related conditions exist which require measures to prevent the introduction, transmission, or spread of communicable disease.

Under these authorities, the CDC for many years routinely conducted sanitation inspections of all arriving vessels. Since 1970, however, the program has focused on cruise ship sanitation because evaluation of available data showed that the most significant health risk, either for American travelers or the American public, was that associated with gastrointestinal diseases on passenger cruise vessels.

Passenger ships are unique in having a large aggregation of people in a relatively isolated situation, in being the passengers' only source of food and water while at sea, and in having limited medical facilities. Cruise passengers may eat dozens of meals prepared in the same kitchen by the same staff, and may be exposed to drinking water taken at various ports of call, thereby increasing their chances of being exposed to a source of gastrointestinal illness. Improper treatment of potable water, inadequate refrigeration of food, and improper preparation or handling of raw and cooked food may create the potential for transmission of disease-causing agents or their toxins to passengers and crew. The cruise ship sanitation program, based on the World Health Organization's "Guide to Ship Sanitation," was designed to identify and correct deficiencies in handling of food and water which might lead to disease outbreaks.

Despite the redirection of the vessel inspection program to cruise ship sanitation in 1970, common source food-borne and water-borne outbreaks of gastrointestinal disease continued to occur during the early 1970's. The magnitude and severity of several of these outbreaks indicated a need for further refining of the program. Gastronintestinal illness and environmental sanitation surveys were conducted by CDC personnel between September 1973 and February 1974. The findings of these surveys were evaluated by public health sanitarians, epidemiologists, and infectious disease specialists. Consequently, in collaboration with industry representatives, CDC developed additional recommendations for sanitation and surveillance. These CDC recommendations, augmenting the WHO "Guide to Ship Sanitation," are the basis of the current Vessel Sanitation Inspection Program which became operational in 1975.

Unannounced inspections, performed semi-annually, now focus on the following six areas: (A) water, (B) refrigeration, (C) food preparation, (D) potential contamination of food, (E) personal cleanliness of food handlers, and (F) general cleanliness and repair.

Vessels which fail to meet the CDC standard (score of 85 or above) receive unannounced followup inspections at more frequent intervals. A summary of the results of these inspections is published every two weeks and distributed to local health departments, the media, and the travel industry. Detailed inspection reports are available on request.

In the case of a suspected food-borne or water-borne gastrointestinal disease outbreak, a vessel is immediately given a complete sanitation inspection, including the collection of water, food, and environmental samples for laboratory examination. In addition, specimens from ill and well passengers and crew are collected for laboratory examination to aid in identifying the causative agents, mode of transmission, and remedial action. If the problem is not corrected before the next sailing, we recommend that prospective passengers be advised of the problem by the vessel's management prior to sailing or, in some cases, that the cruise be cancelled. There has never been an instance when our recommendations for outbreak control have not been carried out by the vessel's management.

The revised regulations of February 11, 1985 provide the Public Health Service with the authority to prohibit a ship from sailing because of unsanitary conditions or unresolved outbreaks. We believe, however, that the emphasis of the program can continue to be on gaining voluntary compliance from the cruise ship industry in achieving and maintaining adequate levels of sanitation.

Results of sanitation inspections, including an address where copies of detailed inspection reports may be requested are published bi-weekly in the "Summary of Latest Inspection Results of International Cruise Ships" which is routinely distributed by CDC to health departments, travel agents, the media, and others. Reports on outbreak investigations are disseminated through various CDC publications to health departments and the medical community. It is our impression that publication of the inspection results of all vessels in the program, the availability to the public of detailed inspection reports on individual vessels, and the dissemination of information on outbreaks serve as sufficient incentives for voluntary compliance by

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the industry. It has been CDC's experience that cooperative voluntary programs which provide technical assistance, consultation, guidance, and review, have been successful in achieving public health objectives.

When the revised sanitation inspection program was implemented in 1975, none of the vessels in the program could meet CDC standards. Now, approximately 75 percent of the ships that regularly sail from U.S. ports meet the CDC standard at any given time. Those vessels failing to meet the standard have usually been able to do so at some time, indicating that success in meeting the standard depends on training, supervision of employees, and industry management's commitment to the task of maintaining healthful and sanitary conditions on board cruise ships.

The improvement in inspection performance has been accompanied by a decrease in the number of serious gastrointestinal illness outbreaks on board cruise ships despite increased numbers of cruise passengers. In the mid-1970's outbreaks averaged 13 per year. In the past 3 years an average of only 4 per year have occurred. The occurrence of gastrointestinal illness outbreaks on board cruise ships is not always attributable to shipboard sanitation conditions. Food and water consumed by passengers while ashore can also cause "shipboard" outbreaks. In addition, viral gastrointestinal illness spreading from person to person among passengers and crew has been implicated as the cause of several outbreaks. These types of outbreaks are difficult to prevent. Nevertheless, the number of outbreaks attributable to shipboard sanitation conditions has been reduced largely as a result of the vessel sanitation inspection program.

In our continuing effort to protect the public's health with an effective and efficient vessel sanitation program, and at the request of industry and consumer representatives, we are once again reviewing our procedures for these inspections. Industry and consumer comments will soon be sought for any proposed changes. In the meantime, we will continue to work closely with the cruise ship industry to upgrade and maintain the level of sanitation aboard these vessels so as to reduce further the public health risks to which the American public might be exposed.

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HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
*Washington, DC, April 15, 1985.*

Similar letter sent to: Bernard A. Chabot, President, Eastern Cruise Lines; Arthur W. Kane, Vice President, Norwegian Caribbean Lines; and Edwin W. Stephan, President, Royal Caribbean Cruise Line.

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DEAR ——— ———: As I mentioned at the hearing in Miami on April 10, I would appreciate your answering the following questions for the record:

(1) Please comment on Mr. Simpkins' proposals to: (a) Extend the Jones Act and the Passenger Ship Act of 1886 so that only American-flag ships could engage in the trade; (b) permit, for a two-year period, the reflagging of any foreign-flag ship under a certain age to the U.S.-flag; and (c) extend U.S. laws, both labor and safety, to any vessel regardless of flag if it is regularly engaged in the U.S. trade.

(2) Some have suggested that, since so many foreign cruise ships are based in American ports, we ought to require dual registry, or application of our wage and civil rights laws. What is your reaction?

(3) How much money does it cost to repair each ship annually?

(4) Please outline the cost differential between employing an American crew as opposed to a foreign crew on board ship.

(5) How would your operations be affected by the proposed extension of the 24-Hour Rule?

(6) Can you tell us the percentage breakdown, in general, of your costs—including the cost of construction, wage costs, and operational costs?

With best wishes, I am

Sincerely,

MARIO BIAGGI,
*Chairman, Subcommittee on Merchant Marine.*

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NORWEGIAN CARIBBEAN LINES,
*Miami, FL. June 3, 1985.*

Congressman MARIO BIAGGI,
*Chairman, Subcommittee on Merchant Marine,*
*Longworth Building, Washington, DC.*

DEAR MR. CHAIRMAN. In response to your letter of April 15, 1985, I am pleased to offer these comments on the questions you have posed.

(1) Concerning Mr. Simpkin's proposals, we would support actions favoring rather than obstructing competition in the cruise industry. For this reason, we must oppose the exclusion of international cruise lines from U.S. port operations but would consider reflagging opportunities provided they were not too restrictive. On the imposition of U.S. labor and safety laws, even if legally possible, Mr. Simpkin seems to assume that U.S. laws are more strict which, particularly with Norwegian vessels, is not necessarily the fact.

(2) The dual registry of ships would be quite impractical since ships would have to meet two sets of regulations and make reports accordingly.

(3) Annual repair expenditures in U.S. yards currently range from $1 million to $10 million per vessel depending on the level of maintenance or refurbishment work being done. In 1984 it is estimated that more than $75 million was spent in U.S. yards on cruise ship maintenance work.

(4) As to cost differentials between American crews and international crews, the differentials are less than often thought because of supply and demand and the need for quality services, especially for our crews covered by the Norwegian Seamen's Union, an ITF affiliate.

(5) The proposed extension of the 24-hour rule will have only minor impact at the present time on our itineraries or operations. But over time it might have significant positive impact on U.S. ports and suppliers.

(6) A percentage breakdown of costs is most difficult to provide for our industry. Total cruise line operations versus ship operations would provide quite different percentages. However, in an effort to assist your inquiry, we can offer the following example for an average cruise line breakdown: Marketing and Sales, 35 percent; Ship Operations, 40 percent; Administration, 10 percent; and Interest and Depreciation, 15 percent.

Since Mr. Ed Stephan, President of Royal Caribbean Cruise Line and Mr. Bernie Chabot, President of Eastern Cruise Line, received the same letter from your office as I did, they have asked me to respond on behalf of all of us. They have read and concurred with the responses herein.

We have found it somewhat difficult to cover all aspects of some of the questions posed to us and we therefore offer to meet with you at your convenience for a more detailed discussion of our industry.

Once again, we wish to express our appreciation for the opportunity given us to present information on the international cruise industry to your Committee.

With kindest regards.

Sincerely yours,

ARTHUR W. KANE,
*Vice President, Corporate Relations.*

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STATEMENT OF JAMES T. LAFFERTY, ASSISTANT DIRECTOR, CENTER FOR SEAFARERS' RIGHTS OF THE SEAMEN'S CHURCH INSTITUTE

INTRODUCTION

The Center for Seafarers' Rights, is a division of the 151-year-old Seamen's Church Institute of New York and New Jersey. The Center has been in operation for the past three (3) years.

The mission of the Seamen's Church Institute has been, and is, to minister to the social, economic, educational and spiritual needs of seafarers in the United States and other nations of the World, who work aboard ships calling on United States Ports.

The Center for Seafarers' Rights, is the advocacy division of the Seaman's Church Institute. Our mission is to improve the working, living, health and safety conditions of seafarers aboard ships calling on U.S. ports.

As a part of this work, we routinely monitor the actual conditions that seafarers on cruise ships live under. We do this by collecting data from the seafarers themselves (the majority of whom are Third World citizens), and by taking "inspection cruises" aboard ships calling on our ports.

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THE PROBLEMS

As a result of our investigations during these past three (3) years, we have determined the following to be true with respect to the general conditions for seafarers on these cruise ships:

(1) While many cruise ship lines provide decent working and living conditions for their crew, many others do not.

(2) Among those cruise ship lines that do not provide their crew with decent and humane working and living conditions, the deficiencies found were the following: (a) the lack of a contract for the seafarers (despite the fact that the laws of most Flag of Convenience ("FOC") nations require that seafarers have a written contract; (b) inadequate and dietarily deficient food for the crew; (c) work weeks consisting of 80-100 hours per week, with no day off each week, and no vacation during the first year of work; (d) no payment of any over-time wages, despite the requirements in the laws of the FOC nations that call for over-time pay (i.e., Panama requires that over-time be paid after 48 hours of work in any one week); (e) the lack of any recreational outlet for the crew; (f) the lack of adequate and sanitary living quarters and lavatory facilities; (g) dangerous working conditions; (h) lack of safety training and equipment for the crew; (i) illegal fees collected by "manning agents" who find work for the seafarers; (j) the refusal of the cruise lines to provide adequate medical care and treatment for seafarers; (k) the failure of the cruise lines to properly repatriate searfarers at the end of their voyage; and (l) the failure of the cruise line to pay the seafarer the wages promised at the start of the voyage.

Now, it is the contention of the Center for Seafarers' Rights, that the prevalence of such conditions aboard all too many foreign flag cruise ship lines calling on U.S. ports, must be vigorously addressed by the United States, for the following reasons:

(1) Human decency: According to the Universal Declaration of Human Rights, "Everyone has the right . . . to just and favorable conditions of work." And, the International Covenant on Economic, Social and Cultural Rights states explicitly that this includes "safe and healthy working conditions";

(2) Fair competition: Ship owners register their ships in places like Panama and Liberia, so that they can, among other things, avoid paying their crew members the amount of wages paid to United States seafarers. The Center for Seafarers' rights, accepts as a fact of life, this practice of "flagging out". But, we contend that such ship owners must, at the very least, abide by the rather minimal standards prescribed by these FOC nations. In addition, we contend that the United States has every right to insist that cruise ships calling on and using our port facilities, comply with decent minimal standards governing the working, living, health and safety conditions of the seafarers on these ships; and

(3) Passenger safety: An overworked crew, which has not been provided with proper safety equipment and proper training in its use, is a threat to the safety of the passengers who cruise aboard such ships.

In 1984, there were fires aboard two (2) cruise ships calling at the Port of Miami (the Scandinavian Sea and the Scandinavian Sun). These fires resulted in the loss of human life. A soon-to-be published report of the U.S. Coast Guard, which investigated these fires, discloses that the crew on these ships was inadequately prepared to cope with fires aboard ship, and that the damage was partially the result of "human error". This certainly raises serious questions of crew and passenger safety.

In light of the above, we suggest that the following measures be taken by the United States Government, to insure that all seafarers working on cruise ships calling on U.S. ports enjoy decent minimal standards, with respect to the living, working, health and safety conditions aboard such ships; and, to insure that passengers aboard such ships be assured of a safe voyage:

RECOMMENDATIONS

(1) The United States should adopt ILO Convention 147.

Convention 147 does two things: (1) it summarizes the minimum criteria for safety, crew competency, social security, employment conditions and living arrangements, drawing on many of the ILO conventions which have been approved in former years. These other conventions include standard of crew accommodations, accident prevention, medical care, food and catering services competency, articles of agreement, freedom of association, collective bargaining and repatriation of seafarers.

(2) The Convention also specifies that the port state "may take measures necessary to rectify any conditions on board which are clearly hazardous to safety or health" on those ships registered in any other country which has ratified ILO Convention 147.

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Convention 147 went into effect on November 28, 1981 in those 14 countries which have ratified it, including: Denmark, Sweden, Costa Rica, West Germany, Italy, Liberia, Morocco, United Kingdom, Spain, Netherlands, France, Finland, Greece, Norway.

The United States, which has ratified very few ILO Conventions, is not on the list, although as far as we have been able to determine, the following organizations have indicated, either formally or informally, that they favor U.S. Senate ratification: United States Department of Labor, United States Council for International Business (International Chamber of Commerce with reservations), Exxon Shipping Office, Federation of American Controlled Shipping (FACS), Liberian Shipowners Council (LSC), International Christian Maritime Association (ICMA), and Maritime Institute of Research and Industrial Development (MIRAID).

(2) The United States should adopt for it's use, the terms of the so-called "Paris Men orandum of Understanding", which goes into full effect on July 1, 1985.

The Paris Memorandum, which has also been called the European Memorandum of Understanding strengthens and broadens the Hague Memorandum, by establishing wider European involvement, a broader range of common standards and a better communications network for the implementation of minimum standards of vessel safety, and seafarers conditions. The nations that have, thus far, signed this memorandum are: Belgium, Denmark, Finland, France, West Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, United Kingdom.

The opening paragraphs of this Memorandum of Understanding state:

"Mindful that the principal responsibility for the effective application of standards laid down in international instruments rests upon the authorities of the state whose flag a ship is entitled to fly;

"Recognizing nevertheless that effective action by port states is required to prevent the operation of substandard ships,

"Recognizing also the need to avoid distorting competition between ports," the contracting parties agree to a harmonized system of port state control.

In content, the Memorandum permits local port authorities to enforce seven (7) relevant international instruments protecting safety and working conditions, including ILO Convention 147. The others are: The International Convention on Load Lines, 1966; The International Convention for the Safety of Life at sea, 1974; The Protocol of 1978 Relating to the International Convention for the Safety of Life at Sea, 1974; The International Convention for the Prevention of Pollution from Ships, 1973 as modified by the Protocol of 1978; The International Convention on Standards of Training, Certification and Watch keeping for Seafarers, 1978; and The Convention on the International Regulations for Preventing Collisions at Sea, 1972.

This Memorandum of understanding provides that by July, 1985, at least 25% of all ships entering the port each year will be inspected. The first duty of the inspector (or surveyor) is simply to check that certificates and documents are up to date. If he/she finds grounds for believing that the ship is substandard, a far more rigorous inspection is mandated. (Section 2.1) In the first three months since July, 1982, there are reports that 1642 ships were inspected, and that 63 of these ships, or almost 4%, were detained by port authorities until serious deficiencies were corrected.

The following excerpts from the Memorandum of Understanding, are illustrative of its content and effect:

*4.1 Introduction.*—When a ship receives a [more] detailed inspection it should be ensured that the conditions on board the ship are in substantial conformity with the following principles:

*4.2 Minimum age.*—Children under the age of 14 shall not be employed or work on a ship.

*4.3 Medical examination.*—A person who is employed in any capacity on board a ship shall hold a medical certificate, signed by a person authorized by the competent authority of the flag state to issue such certificates.

*4.4 Food and catering.*—Any ship shall have on board food and water supplies which, having regard to the size of the crew and the duration and the nature of the voyage, are suitable in respect of quantity and quality.

All spaces and equipment for the storage and handling of food and water, and the galley and other equipment for the preparation and service of meals, shall be maintained in such a manner as to permit the service of proper meals to the members of the crew.

The ventilation, lighting, water system, and other equipment...including store rooms and refrigerated chambers, shall be maintained in such a manner as to ensure the health and safety of the members of the crew.

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*4.5 Crew accommodation.*—Crew accommodaton shall be maintained in a clean and decently habitable condition and shall be kept free of goods and stores not being the personal property of the occupants.

The crew accommodation shall be provided with sufficient drainage.

An adequate system of heating and ventilating the crew accommodation shall be provided.

The crew accommodation shall be adequately lighted.

The means of access, structure and arrangements of the crew accommodation shall be such as to ensure adequate security and protection against weather and sea, and shall be adequately insulated to prevent condensation or overheating, undue noise or effluvia from other spaces.

Each sleeping room shall be provided with a table or desk, and for each of its occupants a clothes locker and a drawer.

Members of the crew shall be provided with individual berths.

Each berth shall be fitted with a spring bottom or a spring mattress and with a mattress. Stuffing of straw or other material likely to harbour vermin shall not be used.

There shall be at least the following sanitary facilities: (1) one tub and/or bath for every eight persons or less; (2) one water closet for every eight persons or less; and (3) one wash basin for every six persons or less.

In every ship which does not carry a doctor an adequate medicine chest with readily understandable instructions shall be carried.

Ships of 500 registered gross tons and over, not being tugs, shall be provided with facilities for washing and drying of clothes in a compartment separate from sleeping rooms and mess rooms, adequately ventilated and heated and equipped with lines or other fitting for hanging clothes.

On ships of 500 registered gross tons and over, not being tugs, carring a crew of 15 or more and engaged in a voyage of more than three days duration, not being a coastal voyage, separate hospital accommodation shall be provided.

*4.6 Accident prevention and occupational health.*—All places on board where people have to work or pass shall be adequately ventilated and lighted.

There shall be guards or fencing around dangerous parts of machinery to prevent injury to personnel. There shall be instructions on first aid resuscitation in the vicinity of switchboards.

There shall be on board means for determining the presence of harmful or noxious gases or deficiency of oxygen in any tank or compartment which it may be necessary to enter.

There shall be on board certificates stating to the fact that regular inspections and test of the loading and unloading equipment have been carried out by and to the satisfaction of a competent authority.

Safe working loads shall be clearly indicated on the loading and unloading equipment.

There shall be on board equipment for the personal protection of the crew such as goggles or facial shields for eye protection, helmets, gloves, coveralls, safety boots, ear protectors against high noise levels, dust respirators, breathing apparatus and safety harness and lines.

Where cargoes presenting a special risk or dangerous goods are carried additional protective clothing shall be available, including a sufficient number of large aprons, special gloves with long cuffs, suitable footwear and coveralls of chemical resistant material.

If the surveyor considers that there are serious deficiencies, in any of these respects, he should first ask the safety officer appointed in accordance with the Prevention of accidents (Seafarers) Convention, 1970 (ILO Convention no. 134) and/or the master to show him any flag state regulations or codes of practice relevant to the deficiency. Any failure to comply with such flag state requirement or recommendations should be drawn to the attention of the flag state. If there appear to be no, or inadequate, flag state provisions in regard to the serious potential accident risks, the omission should similarly be drawn to the attention of the flag state.

If deficiencies or operational circumstances give rise to a serious hazard to the safety or health of persons on board, the surveyor shall take appropriate action to remove the hazard by requiring rectification of the deficiency or prohibiting continuation of the operation.

## CONCLUSION

The facts disclose that seafarers, on many of the cruise ships calling on U.S. ports, work and live under conditions which are not only onerous and inhumane, but

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which also result in unsafe cruising conditions for the passengers and seafarers aboard such ships. Additionally, U.S. tolerance of such conditions aboard foreign flag cruise ships calling on U.S. ports leaves U.S. cruise ship lines in an unfair competitive position vis-a-vis these foreign flag cruise ship owners.

Other maritime nations have taken steps, such as we have set forth above, to rectify inhumane and unsafe conditions aboard cruise ships calling on their ports, and the United States should do no less. Only in this way can we discharge our obligations to the thousands of seafarers who work on these sub-standard cruise ships, the thousands of United States citizens who cruise on these ships, and U.S. ship owners who seek to compete for their fair share of cruise industry business.

Thank you.

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CFR/SOLAS COMPARISON OF REQUIREMENTS FOR PASSENGER VESSELS

PREPARED: MAY, 1985

This document was prepared for the Honorable Mario Biaggi. It presents a tabular comparison of the present U. S. Coast Guard requirements for passenger vessels with those of the International Conventions for the Safety of Life at Sea (SOLAS) of 1948, 1960, and 1974. It should be noted that SOLAS only presents general requirements and the responsibility for developing detailed construction and performance standards rests with the individual flag administrations. The recent amendments to SOLAS 74 provide more specific requirements replacing much of that which was previously left to the different flag administrations. These amendments, the first set effective 1 September 1984 and the second set effective 1 July 1986, are not included in this comparison.

Contents:

General Requirements
Structural Fire Protection Requirements
Fire Protection Equipment Requirements
Stability Requirements
Life Saving Equipment Requirements
Machinery Requirements
Electrical Requirements

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CFR/SOLAS COMPARISON OF GENERAL REQUIREMENTS
FOR
PASSENGER VESSELS

| GENERAL | 46 CFR SUBCHAPTER H | SOLAS '48 CHAPTER I | SOLAS '60 CHAPTER I | SOLAS '74 CHAPTER I |
|---|---|---|---|---|
| Applicable to | 70.05-1: Vessels of 100 GT or more carrying more than 12 passengers international | Reg 1/2: to ships with more than 12 passengers on international voyages, except as noted Effective: 19 Nov 1952 | Reg 1/2: to ships with more than 12 passengers on international voyages, except as noted Effective: 26 May 1965 | Reg 1/2: to ships with more than 12 passengers on international voyages, except as noted Effective: 25 May 1980 |
| Exemptions | 70.05-10: Commandant may exempt single international voyage in exceptional circumstances; voyages on which vessel proceeds not more than 20 miles from land | Reg 4: Administration may exempt single international voyage in exceptional circumstances | Reg 4: Administration may exempt single international voyage in exceptional circumstances | Reg 4: Administration may exempt single international voyage in exceptional circumstances |
| Equivalents | 70.15: Commandant may accept substitutes or equivalents | Reg 5: Administration may accept substitutes or equivalents | Reg 5: Administration may accept substitutes or equivalents | Reg 5: Administration may accept substitutes or equivalents |
| Certificates | | | | |
| • Certificate of Inspection | 71.01: issued by OCMI upon completion of inspection | | | |
| • SOLAS Certificates | 71.75: for vessels on international voyages; issued by Commandant | Reg 11: Passenger Ship Safety Certificate, Exemption Certificates | Reg 12: Passenger Ship Safety Certificate, Exemption Certificates | Reg 12: Passenger Ship Safety Certificate, Exemption Certificates |
| • Duration | 71.01-10: 1 year on COI; 1 year of SOLAS Cert's | Reg 13: 1 year | Reg 14: 1 year | Reg 14: 1 year |
| • Posting | 71.01-5: conspicuous for observation by passengers | Reg 15: prominent and accessible place | Reg 16: prominent and accessible place | Reg 16: prominent and accessible place |
| Inspections | | | | |
| • Initial | 71.20: upon written application; based on approved plans; series of inspections during building and upon completion | Reg 6: carried out by Administration; guarantee completeness and efficiency<br>Reg 7: complete inspection before put in service | Reg 6: carried out by Administration; guarantee completeness and efficiency<br>Reg 7: complete inspection before put in service | Reg 6: carried out by Administration; guarantee completeness and efficiency<br>Reg 7: complete inspection before put in service |

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| • Annual | 71.25: such to ensure vessel in satisfactory condition and fit for service | Reg 7: such to ensure vessel in satisfactory condition and fit for service | Reg 7: such to ensure vessel in satisfactory condition and fit for service | Reg 7: such to ensure vessel in satisfactory condition and fit for service |
| • Lifesaving equipment | 71.25-15: annually | Reg 7: annually | Reg 7: annually | Reg 7: annually |
| • Fire protection equipment | 71.25-20: annually | Reg 7: annually | Reg 7: annually | Reg 7: annually |
| • Hull equipment, engineering, pollution prevention, sanitary, fire hazards | 71.25: annually | Reg 7: annually | Reg 7: annually | Reg 7: annually |
| • Radio | By FCC annually | Reg 7: annually | Reg 7: annually | Reg 7: annually |
| Reinspection | 71.30: examine accessible parts 3 times between annual inspections | No specific requirement | No specific requirement | No specific requirement |
| Inspection after accident | 71.40: general or partial after every accident | Reg 7: general or partial after every accident | Reg 7: general or partial after every accident | Reg 7: general or partial after every accident |
| Sanitary Inspections | 71.45: monthly by master | No specific requirement Reg 7 applies | No specific requirement Reg 7 applies | No specific requirement Reg 7 applies |
| Cargo gear inspection | 71.47: annually | No specific requirement Reg 7 applies | No specific requirement Reg 7 applies | No specific requirement Reg 7 applies |
| Drydocking | 71.50: annually | Reg 7: annual inspection of the outside of ship's bottom | Reg 7: annual inspection of the outside of ship's bottom | Reg 7: annual inspection of the outside of ship's bottom |
| Repairs and Alterations | 71.55: only with knowledge of OCMI | Reg 10: not without sanction of Administration | Reg 10: not without sanction of Administration | Reg 10: not without sanction of Administration |
| Equipment approved by | 75.05-1: Commandant, USCG to Subchapter Q standards | Reg 2(c): "The Administration" to vague standards | Reg 2(c): Same as SOLAS 48 | Reg 2(c): Same as SOLAS 48 |
| Equipment carried but not required | 75.05-5/76.01-5: same as required equipment | No corresponding requirement | No corresponding requirement | No corresponding requirement |



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CFR/SOLAS COMPARISON OF FIRE PROTECTION REQUIREMENTS
FOR
PASSENGER VESSELS

| STRUCTURAL FIRE PROTECTION | 46 CFR SUBCHAPTER H | SOLAS '48 CHAPTER II, PARTS D, E & F | SOLAS '60 CHAPTER II, PARTS D, E & F | SOLAS '74 CHAPTER II-2, PARTS A & B |
|---|---|---|---|---|
| Applicable to | 72.05-1: generally vessels over 100 GT; those carrying more 150 passengers; those on international voyages with more than 12 passengers | Reg 25: generally to ships carrying more than 36 passengers | Generally to ships carrying more than 36 passengers | Reg 1: generally to ships carrying more than 36 passengers (slightly reduced requirements for ships carrying 12 to 36 passengers) |
| Main structure, decks, and deck house | 72.05-10: steel or other equivalent metal construction | Reg 25/27: steel of other suitable material as sanctioned by the Administration | Reg 36: steel or other equivalent material | Reg 17: steel or other equivalent material |
| Main vertical zone bulkheads | 72.05-10: suitable structural steel or equivalent metal; "A" class; not more than 131 feet apart | Reg 25/28: "A" Class bulkheads, not more than 131 feet apart | Reg 34: "A" class bulkheads not more than 131 ft apart | Reg 18: "A" class bulkheads. Reg 3: not more than 131 ft apart |
| Bulkheads within main vertical zone | 72.05-10: "B" class or better as shown in table; generally of incombustible materials; fire detection system required | Reg 30: "B" class or better; No restriction in Method II<br>Reg 25:<br>Method I: internal divisional bulkheads of "B" class; generally without a detection or sprinkler system<br>or<br>Method II: fitted with automatic sprinkler and fire alarm system; no restriction on divisional bulkheading<br>or<br>Method III: "A" and "B" class divisions with automatic fire detection system but generally without sprinkler system | Reg 39: "B" class or better; No restriction in Method II<br>Reg 34:<br>Method I: internal divisional bulkheads of "B" class; generally without a detection or sprinkler system<br>or<br>Method II: fitted with automatic sprinkler and fire alarm system; no restriction on divisional bulkheading<br>or<br>Method III: "A" and "B" class divisions with automatic fire detection system but generally without sprinkler system | Reg 19: "B class or better generally of incombustible materials; fire detection system required |

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| Separation of Accommodation spaces from machinery, cargo, and service spaces | 72.05-10(d)-(g): "A" class with insulation values as shown in tables | Reg 31: "A" class with insulation values satisfactory to Administration | Reg 40: "A" class with insulation values satisfactory to Administration | Reg 20: "A" class with insulation values per table |
| Protection of storerooms, paint lockers, galleys, etc. | 72.05-10(d)-(g): separated by "A" class bulkheads and decks as shown in tables | Reg 36: boundaries shall be "A" class divisions | Reg 45: boundaries shall be "A" class divisions | Reg 20: boundaries shall be "A" class divisions |
| Protection of control spaces | 72.05-10(d)-(g): separated by "A" class bulkheads and decks as shown in table | Reg 35: separated by "A" class bulkheads and decks | Reg 44: separated by "A" class bulkheads and decks | Reg 20: separated by "A" class bulkheads and decks |
| Sheathing, furring, or holding pieces for securing insulation | 72.05-10(k): approved incombustible materials | Reg 39: incombustible materials in Method I; no restriction in Method II; combustibles minimized in Method III | Reg 48: incombustible materials in Method I; no restriction in Method II; combustibles minimized in Method III | Reg 27: non-combustible materials |
| Deck overlay for leveling | 72.05-10(n): up to 3/8 inch permitted to be combustible material | No specific requirement. Reg 39 applies: incombustible materials in Method I; no restriction in Method II; combustibles minimized in Method III | No specific requirement. Reg 48 applies: incombustible materials in Method I; no restriction in Method II; combustibles minimized in Method III | No specific requirement. Reg 27 applies: non-combustible materials |
| Deck coverings | 72.05-10(o): fire-resistive qualities; in stairways and corridors rugs and carpets must be wool or wool equivalent | Reg 32: will not readily ignite and is approved by Administration | Reg 41: approved material which will not readily ignite | Reg 27: approved material which will not readily ignite |
| Ceilings, linings, trim and decorations | 72.05-15: incombustible material with combustible veneer up to 2/28 inch; volume of combustible facing not to exceed that of 1/10 inch on combined area walls and ceilings | Reg 39: incombustible materials with combustible facings in volume not to exceed that of 1/10 inch on combined area of walls and ceilings in Method I; no restriction in Method II; combustibles minimized in Method III | Reg 48: incombustible material with combustible facings in volume not to exceed that of 1/10 inch on combined area of walls and ceilings in Method I; no restriction in Method II; combustibles minimized in Method III | Reg 27: non-combustible material with combustible facings in volume not to exceed that of 1/10 inch on combined areas of walls and ceilings |



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| Insulation, other than for structural fire protection | 72.05-35: approved incombustible materials except in spaces noted | Reg 39: incombustible materials except in spaces noted (Method I); no restriction in Method II; combustibles minimized in Method III | Reg 48: incombustible materials in Method I; no restriction in Method II; combustibles minimized in Method III | Reg 27: non-combustible materials |
| Paint | 72.05-45: no excessive coating except of non-combustible paint; nitro-cellulose base and other highly flammable or noxious paints prohibited | Reg 40: nitro-cellulose base paints prohibited | Reg 49: nitro-cellulose or other highly inflammable base prohibited | Reg 27: such that no undue fire risk; no excessive smoke or toxic properties |
| Ventilation | 72.05-30: automatic dampers; capable of manual closure from both sides. 111.103: remote stopping system | Reg 38: accessible means of closure; remote stopping stations. Reg 29: dampers | Reg 47: capable of closure from outside space; remote stopping stations. Reg 38: dampers | Reg 25: capable of closure from outside space; remote stopping stations. Reg 23: dampers |
| Furniture and furnishings | 72.05-55: non-combustible materials except 1/8 inch combustible veneer permitted on surface | No specific requirement | No specific requirement | Reg 3(a): of restricted fire risk - furniture of non-combustible materials with up to 2 mm combustible veneer on working surface; draperies, curtains and floor coverings to satisfaction of Administration |
| Stairways | 72.05-20: steel; integrity of decks and bulkheads assured; doors at all levels | Reg 33: steel within "A" class enclosure; positive means of closure at all openings | Reg 42: steel frame construction within "A" class enclosure; positive means of closure | Reg 22: steel frame construction within "A" class enclosure; positive means of closure |
| Elevators | 72.05-20: steel; integrity of decks and bulkheads assured; closures at all levels | Reg 34: "A" class division; closures at all levels to maintain integrity | Reg 43: "A" class divisions; closure at all levels to maintain division integrity | Reg 22: steel frames with "A" class enclosure; positive means of closure |
| Doors | 72.05-25(b): bulkheads A-15 and above have A-15 doors; A-0 bulkheads have A-0 doors; open either side by one person; self-closing | Reg 29: as effective as bulkhead; open from both sides by one person; self-closing | Reg 38: as effective as bulkhead; open from either side by one person; self-closing | Reg 23: steel or equivalent; as effective as bulkhead; open from either side by one person; self-closing |

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| Windows and airports | 72.05-30: glass at least 1/4 inch; metal frames; retained by metal; wire insert and/or metal shutters as prescribed | Reg 37: metal frames; glass retained by metal; conforms to integrity of bulkhead | Reg 46: metal frames; glass retained by metal; conforms to integrity of bulkhead | Reg 26: metal frames; glass retained by metal; conforms to integrity of bulkhead |
| Motion picture film | 72.05-60: only acetate or slow burning film may be used; no special storage | Reg 41: except where only non-flammable film is used, installations subject to precautions prescribed by Administration | Reg 50: cellulose base film shall not be used | Reg 6: cellulose-nitrate based films prohibited |
| Means of escape | 72.10: two means in each main vertical zone | Reg 54: sufficient exits from below bulkhead deck | Reg 68: two means in each main vertical zone | Reg 21: two means in each main vertical zone |
| Fire control plans | 72.10: permanently exhibited | Reg 44: permanently exhibited | Reg 70: permanently exhibited | Reg 4: permanently exhibited |

CFR/SOLAS COMPARISON OF FIRE PROTECTION REQUIREMENTS
FOR
PASSENGER VESSELS

| FIRE PROTECTION EQUIPMENT | 46 CFR SUBCHAPTER H | SOLAS '48 CHAPTER II, PARTS D, E & F | SOLAS '60 CHAPTER II, PARTS D, E & F | SOLAS '74 CHAPTER II-2, PARTS A & B |
|---|---|---|---|---|
| Fire detecting systems | | | | |
| * Manual alarm | 76.05: installed in all areas. 76.35: readily available and easily seen; automatically registered visibly and audibly in pilothouse; approved | Reg 50: an approved alarm or detecting system; automatically indicate location of fire - manual alarm | Reg 61/64: approved alarm or detecting system which will automatically indicate location of fire - manual alarm | Reg 32: throughout accommodation and service spaces |
| * Electric, Pneumatic and Smoke fire detecting | 76.05: installed in spaces prescribed in table; details in 76.27, 76.30, and 76.33 respectively; automatically registered visibly and audibly in pilothouse; approved | Reg 50: see above | Reg 64: see above | Reg 12/13/29: an approved type operational at all times; audible and visual alarm signal automatically at one or more indicating units in manned location such as on navigating bridge |
| * Supervised patrol | 78.30: between 10 p.m. and 6 a.m. to cover vessel | Reg 50: efficient patrol system | Reg 64: efficient patrol system | Reg 32: efficient patrol system |

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| Fire main system | | | | |
|---|---|---|---|---|
| * Water availability | 76.10-3: maintain pressure on system or easily operable and readily accessible remote control of fire pumps | No specific requirement | Reg 56: pressures per table based on gross tonnage | Reg 32: immediately available at pressure prescribed in Reg 5 |
| * Fire pumps | 76.10-5: independently driven in quantity per table; at least 2/3 capacity of bilge pumps | Reg 45/50: independently driven; at least 2/3 capacity of bilge pumps | Reg 56/64: independently driven; at least 2/3 capacity of bilge pumps | Reg 5/32: up to 3 independently driven based on ship gross tonnage; at least 2/3 capacity of bilge pumps |
| * Fire hydrants | 76.10-10: sufficient number so located that any part of vessel may be reached by two streams of water | number and location such that two streams of water can be directed into any part of ship | number and location such that two streams of water can be directed into any part of ship | number and location such that two streams of water can be directed into any part of ship |
| * Fire hose & fittings | 76.10-10: one length at each hydrant with spanner, rack and other required equipment; approved hose U.L. or Fed. Spec. | fire hose, fittings and tools ready for use near hydrant; hose of material approved by Administration | fire hose, fittings and tools ready for use near hydrant; hose of material approved by Administration | hose of approved material; equipment at each hydrant; connected at all times |
| * Piping | 76.10-15: per specifications in sufficient size for effective distribution of max discharge from two fire pumps simultaneously | sufficient size for adequate supply of water for simultaneous operation of two fire hoses | Reg 56: sufficient size for effective distribution of maximum required discharge from two fire pumps simultaneously | Reg 5: sufficient size for effective distribution of maximum required discharge from two fire pumps simultaneously |
| * Nozzles | 76.10-10: approved combination solid stream and water spray on each hose | No specific requirement | Reg 56: specifies standard size nozzles; dual purpose nozzles in oil spaces | Reg 5/32: water spray nozzles and dual purpose nozzles shall comprise 1/4 the number of hoses other than machinery spaces where all hoses shall have water spray capability |
| * Applicators | 76.10-10: low velocity water spray in certain locations | No specific requirement | No specific requirement | Reg 32: one water fog applicator for each set breathing apparatus |

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|---|---|---|---|---|
| **Fixed Extinguishing Systems** | | | | |
| * Steam smothering | 76.13: not permitted on vessels contracted after 31 December 1961, nor as replacement installations | Reg 47: permitted for cargo spaces and boiler rooms | Reg 58: permitted for cargo spaces | Reg 8: not permitted on new vessels |
| * Carbon dioxide | 76.15: total $CO_2$ available at least sufficient for largest space - cargo spaces, enclosed ventilation systems, machinery spaces, etc. per table; audible alarm | Reg 47: total $CO_2$ available at least sufficient for largest space - cargo spaces, and boiler rooms; audible alarms | Reg 58/64: total $CO_2$ available at least sufficient for largest space - cargo spaces, boiler rooms; audible alarms | Reg 8/31/32: total $CO_2$ available at least sufficient for largest space - cargo spaces, boiler rooms; audible alarms |
| * Foam | 76.17: an alternative for certain spaces as indicated in table | No specific requirement or provision | Reg 60/64: an alternative; sufficient to cover to depth of 6 inches the largest area covered | Reg 9/10/32: an alternative; sufficient to cover to depth of 6 inches the largest area covered |
| * Manual sprinkling | 76.23: designed and installed accordingly in certain spaces per table | No specific requirement or provision | Reg 62/64: fixed pressure water spraying system | Reg 11/30/32: fixed pressure water spraying system |
| * Automatic sprinkling | 76.25: designed and installed accordingly in certain spaces per table | Reg 48: acceptable means to be installed per Administration requirements | Reg 59: acceptable means to be installed per Administration | Reg 12/29: alternative to be installed per Administration |
| Hand portable extinguishers | 76.50: approved type; appropriately classed in locations, size and quantity per table | Reg 46: types and designs approved by Administration. Reg 50: in quantity per Administration | Reg 57: approved types. Reg 64: quantity deemed appropriate by Administration | Reg 7: approved types. Reg 32: quantity deemed appropriate by Administration |
| Semi-portable extinguishers | 76.50: approved type; appropriately classed in locations, size and quantity per table | No specific requirement | No specific requirement | No specific requirement. Reg 7: per Administration |
| Sand | 76.05-30: 5 $ft^3$ on vessels up to 1000 GT; 10 $ft^3$ on vessels over 1000 GT; may substitute B-II exting. | No specific requirement | Reg 64: sand or approved portable extinguisher substitute | Reg 32: sand or approved portable extinguisher substitute |

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| Fire axes | 76.60: in number per table; distributed throughout spaces; visible | Reg 50(p): at least two as part of emergency outfits | Reg 64: one for each fireman's outfit | Reg 14: one for each fireman's outfit |
| Emergency equipment | 77.30: approved self-contained breathing apparatus, gas masks, flame safety lamps in number per table | Reg 49 & 50(p): type approved by Administration | Reg 63: types approved by Administration - breathing apparatus, safety lamp, etc | Reg 32: as approved by Administration - breathing apparatus, safety lamp, etc |
| Fireman's Outfit | 77.35: at least two (up to four on vessels over 20,000 GT) with breathing apparatus, flashlight, safety lamp, helmet, boots, gloves, protective clothing and axe | Reg 50(p): at least two with breathing apparatus, smoke helmet, safety lamp, and axe | Reg 63/64: at least two (up to 4 for vessels more than 20,000 GT) with breathing apparatus, lifeline, safety lamp, and axe | Reg 14/32: at least two with additional two for every 80 meters of ship's length; breathing apparatus, safety lamp, rigid helmet, axe and protective clothing |
| Equivalents | 70.15-1: Commandant may accept substitutions or alternatives which are at least as effective | Reg 53: to satisfaction of Administration provided it is not less effective | Reg 67: to satisfaction of Administration provided it is not less effective | Reg 16: to satisfaction of Administration provided it is not less effective |

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CFR/SOLAS COMPARISON OF STABILITY REQUIREMENTS
FOR
PASSENGER VESSELS

| STABILITY | 46 CFR SUBCHAPTER S | SOLAS '48 CHAPTER II | SOLAS '60 CHAPTER II | SOLAS '74 CHAPTER II-1 |
|---|---|---|---|---|
| Applicable to | 171.045: Carries more than 12 passengers/int'l voyages | Reg 1: Passenger Ships on international voyages. | Reg 1: Passenger Ships on international voyages. | Reg 1: Passenger Ships on international voyages. |
| Intact Stability | 171.050: Must meet required GM for weather and passenger criteria. | No specific requirement | No specific requirement | No specific requirement |
| Subdivision | 171.065: Subdivision is based on the number of passengers and length of vessel. Criterion numerals and factors of subdivision calculated to determine maximum length of compartments. | Reg 5: Same basis as USCG requirements; but uses different equations for Criterion Numerals and Factors of Subdivision, generally resulting in a lesser standard of subdivision than USCG Requirements. | Reg 5: Same as SOLAS 48 | Reg 6: Same as SOLAS 48 |
| Damage Stability | 171.080: Damage Stability standard is based on factor of subdivision. | Reg 7: Same extents of damage and survival criteria as USCG requirements; because the subdivision factor is normally less, then the damage stability standard can be less. | Reg 7: Same as SOLAS 48 | Reg 8: Same as SOLAS 48 |
| Watertight Doors | 170.250-270: Hinged doors, sliding doors, operated by hand gear only and sliding, operated by power and hand gear.<br><br>98.15: Required to be kept closed except when actually in use. | Reg 12: Same as USCG Requirements; shall be closed during navigation except when necessarily opened for working of ship | Reg 13: Same as SOLAS 48 | Reg 13: Same as SOLAS 48 |

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| Free Surface | 170.285: Determined by using either the moment of transference method or by taking the free surface effect for the largest centerline tank or pair of wing tanks for each type of liquid carried. Largest in this case means having the largest free surface moment. | No specific requirement | No specific requirement | No specific requirement |
| Margin Line | 171.015: "Margin Line" is drawn at least 76mm below the upper surface of the bulkhead deck at side. | Reg 6: Same as USCG Requirements | Reg 17: Same as USCG Requirements | Reg 20: Same as USCG Requirements |
| Stability Test (Inclining Experiment) | 170.175: Required | Reg 18: Required | Reg 19: Required | Reg 22: Required |
| Stability Information | 170.110: Required | Reg 18: Required | Reg 19: Required | Reg 22: Required |

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CFR/SOLAS COMPARISON OF LIFESAVING EQUIPMENT REQUIREMENTS
FOR
PASSENGER VESSELS

| LIFESAVING EQUIPMENT | 46 CFR SUBCHAPTER H | SOLAS '48 CHAPTER III | SOLAS '60 CHAPTER III | SOLAS '74 CHAPTER III |
|---|---|---|---|---|
| Lifeboat (60-100 person) | 75.10-5: motor or hand propelled | Reg 5: Same as 46 CFR | Reg 5: Same as 46 CFR | Reg 5: Same as 46 CFR |
| Lifeboat over 100 persons | 75.10-5: motor propelled | Reg 5: motor or hand propelled | Reg 5: motor | Reg 5: Same as SOLAS 60 |
| Disengaging apparatus | 75.10-5: Mechanical disengaging apparatus on vessels over 3000 G. T., providing simultaneous release with full load of boat on hooks (on-load release) | Reg 26: Arrangements for speedy but not necessarily simultaneous releasing hooks. On-load release not required. | Reg 29: Same as SOLAS 48 | Reg 29: Same as SOLAS 48 |
| Rigid liferafts | 75.10-5: Not permitted on international voyage | Reg 30: May be carried as primary lifesaving equipment | Reg 27: Same as SOLAS 48 | Reg 16: Same as SOLAS 48 |
| Number of lifeboats | 75.10-10: enough on each side for 50% of persons on board. Liferafts may be substituted for 25% on coastwise voyage | Reg 22: enough for all persons on board but buoyant apparatus may be substituted for 25% on voyages not over 1200 miles | Reg 27: Enough on each side for 50% of persons on board. Liferafts may be substituted for 25%. Greater substitution permitted on short international voyages. | Reg 27: Same as SOLAS 60 |
| Motor lifeboats | 75.10-10: Number and class determined by total persons. | Reg 8: Number and speed/range determined by total number of boats. Searchlight/radio optional | Reg 8: One each side. Reg 14: Radio/searchlight determined by total persons | Reg 8/14: Same as SOLAS 60 |
| Emergency boats | 75.10-10: One lifeboat each side, not more than 28 feet long, length/beam not less than 3.3, ready for launch | Reg 23: One each side, not more than 26 feet long, ready for launch. May be a lifeboat | Reg 27: One each side, not more than 28 feet long, ready for launch. May be a lifeboat | Reg 27: Same as SOLAS 60 |

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| Liferafts/buoyant Apparatus | 75.10-10: Enough inflatable liferafts for 25% of persons on board plus 3% buoyant apparatus. Buoyant apparatus for 25% may be substituted if factor of subdivision less than/equal to 0.33 | Reg 22: Enough buoyant apparatus for 25% of persons on board. Liferafts may be substituted | Reg 27: Same as 46 CFR | Reg 27: Same as SOLAS 60 |
| Number of davits | 75.15-10: Each lifeboat attached to a separate set of davits | Reg 23: Number of davits determined by length of ship One life boat attached to each set of davits. Additional boats may be nested | Reg 29: Same as 46 CFR | Reg 29: Same as SOLAS 60 |
| Inflatable liferaft stowage | 75.15-10: Arranged to float free | No corresponding requirement | No corresponding requirement | Same as 46 CFR |
| Lifeboat launching | 75.15-10: Up to 15° list and unfavorable trim | Reg 26: Up to 15° list only | Reg 29: up to 10° trim and 15° list | Reg 29: Same as SOLAS 60 |
| Lifeboat equipment | 75.20-10 | Reg 11: | Reg 11: | Reg 11: Same as SOLAS 60 |
| | Bailer | same | same | |
| | Bilge pump | same | same | |
| | Boathooks(2) | Boathook(1) | same as SOLAS 48 | |
| | Buckets(2) | same | same | |
| | Compass | same | same | |
| | Ditty bag | none | none | |
| | Drinking cup | Dipper | same as SOLAS 48 | |
| | Fire Extinguishers(2,motor) | none | none | |
| | First aid kit | same | same | |
| | Flashlight | same | same | |
| | Hatchets(2) | same | same | |
| | Heaving lines(2) | same | same | |
| | Jackknife | same | same | |
| | Ladder | Ladder(if over 60 persons) | Ladder | |
| | Lantern | Lamp | same as SOLAS 48 | |
| | Lifeline | same | same | |
| | Life preservers(?) | none | none | |
| | Locker | same | same | |
| | Mast/sail (oar only) | same | same | |
| | Matches | same | same | |
| | Condensed milk (1 lb/person) | same | none | |
| | Mirror, signalling(2) | Mirror, signalling(1) | same as SOLAS 48 | |

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| | Oars, including spares | same | same | |
| | Oil, lantern (1 qt) | same | same | |
| | Oil, storm (1 gal) | same | same | |
| | Painters(2) | same | same | |
| | Plug | Plugs(2, or valve) | same as SOLAS 48 | |
| | Provisions (2 lb/person) | same | Provisions(no amount) | |
| | Rudder/tiller | same | same | |
| | Sea anchor | same | same | |
| | Smoke signals(2) | same | same | |
| | Hand flares(12) | Hand flares(6) | same as SOLAS 48 | |
| | Parachute flares(12) | Parachute flares(2) | Parachute flares(4) | |
| | Tool kit (motor only) | none | none | |
| | Water (3 qt/person) | same | same | |
| | Whistle | none | none | |
| | Fishing kit | none | Fishing kit | |
| | Cover | none | Cover | |
| | Placard of signals | none | Placard of signals | |
| | Desalting kit (optional) | none | none | |
| Liferaft equipment | 75.20-20: Similar to lifeboat equipment but in reduced quantity, plus seasick pills and survival manual. No life preservers. | No corresponding requirement | Reg 17: Similar to lifeboat equipment but in reduced quantity. Food quantity not specified. | Reg 17: Same as SOLAS 60 |
| Life Float/Buoyant Apparatus equipment | 75.20-30: | Reg 30: | Reg 33: | Reg 33: Same as SOLAS 60 |
| | Boathook | none | none | |
| | Lifeline | same | same | |
| | Paddles | same | none | |
| | Painter | same | same | |
| | Water light | none | none | |
| Type of davits | 75.25-5: Gravity davits for boats over 5000 lb | Reg 26: Gravity davits for boats over 8000 lbs | Reg 29: Gravity davits for boats over 5000 lbs | Reg 29: Same as SOLAS 60 |

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| Winches and falls | 75.30: Winch and wire rope falls required where height of boat deck above light water line exceeds 20 feet or where gravity davits are used, and for emergency boats. Grooved drums, single layer when gravity davits used. Emergency boat winches must hoist 20 ft/min. Located so operator can observe boat. | Reg 26: Wire rope falls with winches except for the emergency boats and wherever the Administration decides otherwise (i.e. anything goes) | Reg 29: Same as SOLAS 48 except that emergency boats included (still anything goes) | Reg 29: Same as SOLAS 60 except that quick-recovery winches required for emergency boats |
| Life preservers | 75.40-10: One for each person on board plus 10% extra for children, plus 5% extra on international voyage, plus extra for watchstanders. PFD light attached. Retroreflective material attached. | Reg 17: One for each person on board plus "a sufficient number" for children if necessary | Reg 22: Same as SOLAS 48 plus 5% extra | Reg 22: Same as SOLAS 60. Specification added for inflatable lifejacket. |
| Ring buoys | 75.43: Number required with/without lights depends on length of ship. One each side with line attached. Two with smoke signals for quick release from bridge. Orange. | Reg 31: Number determined by length of ship. One each side with lifeline. Half with lights (need not be attached) | Reg 34: Same as SOLAS 48. Two with smoke signals on bridge. Highly visible color. | Reg 34/21: Same as SOLAS 60 |
| Line throwing appliances | 75.45: Impulse projected rocket type with 4 rockets (2 buoyant), 4 service lines of specified size in faking boxes or reels, 4 cartridges, brush, oil, 12 patches, instructions, and auxiliary line of specified size. | Reg 18: Any type approved by Administration. Range 250 yards. 4 projectiles and lines. | Reg 23: Same as SOLAS 48 | Reg 23: Same as SOLAS 48 |
| Embarkation aids | 75.50: Chain ladder for each lifeboat davit. Ladders for liferafts where substituted for lifeboats. Illumination during launching. | Reg 14: Suitable ladder at each set of davits. Illumination during launching | Reg 19: At least one ladder on each side. Ladder or other approved device at each davit. Illumination | Reg 19: Same as SOLAS 60 plus similar arrangements for liferafts. |



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| Portable radio apparatus | 75.55: One set centrally located to be moved to either boat unless one boat on each side has installed radio | Reg 13: Ships carrying less than 20 lifeboats. Administration may exempt vessel | Reg 13: same as SOLAS 48 except vessels with installed radio in a boat on each side | Reg 13: Same as SOLAS 60 |
| EPIRB | 75.60: Required on all, to be stowed to float free | No corresponding requirement | No corresponding requirement | No corresponding requirement |
| Distress signals | 75.90: In pilothouse. Twelve parachute flares, not more than three years old, in watertight container | Reg 19: Means of making effective distress signals by day and night, including red parachute flares (no number or max service life) | Reg 24: Same as SOLAS 48 | Reg 24: Same as SOLAS 48 |

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CFR/SOLAS COMPARISON OF MACHINERY REQUIREMENTS
FOR
PASSENGER VESSELS

| MACHINERY | 46 CFR SUBCHAPTER F | SOLAS '48 CHAPTER II | SOLAS '60 CHAPTER II | SOLAS '74 CHAPTER II-1 |
|---|---|---|---|---|
| Power Boilers | Part 52: Requires power boilers to be designed, constructed and tested in accordance with Section I of the ASME Code, as modified to account for conditions encountered in the shipboard environment. | No specific requirement. | No specific requirement. | No specific requirement. |
| Heating Boilers | Part 53: Requires heating boilers to be designed, constructed and tested in accordance with Section IV of the ASME Code, as modified to account for conditions encountered in the shipboard environment. | No specific requirement. | No specific requirement. | No specific requirement. |
| Pressure Vessels | Part 54: Requires pressure vessels to be designed, constructed and tested in accordance with Division 1 of Section VIII of the ASME Code, as modified to account for conditions encountered in the shipboard environment. | No specific requirement. | No specific requirement. | No specific requirement. |
| Piping Systems | | | | |
| * General Design Criteria | 56.01-1(b): Must have the necessary pumps, valves, regulating valves, safety valves, relief valves, flanges, fittings, pressure gages, liquid level indicators, thermometers, etc. for safe and efficient operations. | No specific requirement. | Reg 49(b): Pipes conveying oil or combustible liquids shall be of material approved by the Administration, having regard to fire risk. | Reg 46(b): Pipes conveying oil or combustible liquids shall be of material approved by the Administration, having regard to fire risk. |

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| * Specific Design Criteria | Part 56: Contains specific material, size, pressure and temperature limitations for valves, flanges and fittings. Requires certain pipe stress calculations and specifies design requirements to assure proper allowances for pipe expansion and flexibility. | No specific requirement. | No specific requirement. | No specific requirement. |
| Bulkhead Penetrations | | | | |
| * Pipe Penetrations through Watertight or Oiltight Bulkheads | 56.50-1(a): Structural integrity of bulkhead must be maintained. | Reg 12(b)(j): Watertight integrity of subdivision bulkheads shall be ensured. | Reg 13(b)(i): Watertight integrity of subdivision bulkheads shall be ensured. | Reg 13(b)(i): Watertight integrity of subdivision bulkheads must be ensured. |
| * Use of Heat Sensitive Materials in Bulkhead Penetrations | 56.50-1(a): Lead or other heat sensitive materials shall not be used in piping systems where fire would impair bulkhead integrity. | No specific requirement. | Reg 13(b)(iii): Lead or other heat sensitive materials shall not be used in systems where fire would impair subdivision bulkhead integrity. | Reg 13(b)(iii): Lead or other heat sensitive materials shall not be used in systems where fire would impair subdivision bulkhead integrity. |
| * Collision Bulkhead Penetration | 56.50-1(b): Must be with a shutdown valve operable from above the weather deck. No other valves permitted in watertight subdivision bulkheads. | Reg 12: Valves not part of a piping system not permitted in watertight subdivision bulkheads. Pipe to forepeak tank must have a screwdown valve inside the forepeak and operable from above the bulkhead deck. | Reg 13: The pipe to forepeak tank must have a screwdown valve inside the forepeak and operable from above the bulkhead deck. No other valves permitted in watertight subdivision bulkheads. | Reg 13: The pipe to forepeak tank must have a screwdown valve inside the forepeak and operable from above the bulkhead deck. No other valves permitted in watertight subdivision bulkheads. |
| Systems Conveying Oil | 56.50-5: Specifies certain restrictions for oil piping systems relating to locations of pipe runs. | No specific requirement. | Reg 49(b): Pipes conveying oil or combustible liquids shall be of material approved by the Administration, having regard to fire risk. | Reg 46(b): Pipes conveying oil or combustible liquids shall be of material approved by the Administration, having regard to fire risk. |

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| Boiler Steam Piping | Part 56.50: Provides additional specific requirements for boiler steam piping, with emphasis placed on shut-off valves, safety relief valves, relief valve escape piping and permissible steam line pressures. | No specific requirement. | No specific requirement. | No specific requirement. |
| Boiler Feed Piping | 56.50-30: Provides additional specific requirements for boiler feed piping, with emphasis placed on multiple feed supplies, bypass operation capabilities, and pump and valve criteria. | No specific requirement. | No specific requirement. | No specific requirement. |
| Bilge and Ballast Piping | | | | |
| * Conditions of Operation | 56.50-50(a)(1): Capable of pumping and draining all watertight compartments under all practicable conditions after a casualty whether the ship is upright or listed. | Reg 17(a): Capable of pumping and draining all watertight compartments under all practicable conditions after a casualty whether the ship is upright or listed. | Reg 18(a): Capable of pumping and draining all watertight compartments under all practicable conditions after a casualty whether the ship is upright or listed. | Reg 18(a): Capable of pumping and draining all watertight compartments under all practicable conditions after a casualty whether the ship is upright or listed. |
| * Back-Flooding | 56.50-50(b): Provision must be made to prevent flooding of a compartment through a bilge line in the event the line is severed during a collision or grounding. | Reg 17(k): Provision shall be made to prevent flooding of a compartment through a bilge line in the event the line is severed during a collision or grounding. | Reg 18(k): Provision shall be made to prevent flooding of a compartment through a bilge line in the event the line is severed during a collision or grounding. | Reg 18(k): Provision shall be made to prevent flooding of a compartment through a bilge line in the event the line is severed during a collision or grounding. |
| * Piping Arrangements | 56.50-50(c)(2): In the event of flooding, one of the bilge pumps can take suction from any compartment. | Reg 17(l): In the event of flooding, one of the bilge pumps can take suction from any compartment. | Reg 18(l): In the event of flooding, one of the bilge pumps can take suction from any compartment. | Reg 18(l) In the event of flooding, one of the bilge pumps can take suction from any compartment. |

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| * Remote Operation | 56.50-50(c)(3): In a bilge system common to all pumps, valves controlling the bilge suctions shall be operable from above the bulkhead deck. | Reg 17(i): In a bilge system common to all pumps, valves controlling the bilge suctions shall be operable from above the bulkhead deck. | Reg 18(i): In a bilge system common to all pumps, valves controlling bilge suctions shall be operable from above the bulkhead deck. | Reg 18(i): In a bilge system common to all pumps, valves controlling the bilge suctions shall be operable from above the bulkhead deck. |
| * Required Piping Diameters | 56.50-50(a): By formulas specified. | Reg 17(i): By formula specified. | Reg 18(i): By formula specified. | Reg 18(i): By formula specified. |
| * Independent Bilge Suction | 56.50-50(e): Machinery spaces required to have a direct suction independent of the bilge main. | Reg 17(f): Machinery spaces required to have a direct suction to an independent power bilge pump. | Reg 18(f): Machinery spaces required to have a direct suction to an independent power bilge pump. | Reg 18(f): Machinery spaces required to have a direct suction to an independent power bilge pump. |
| * Emergency Bilge Suction | 56.50-50(f): Machinery space required to have an emergency bilge suction fitted to the main circulating pump. | Reg 17(g): Machinery spaces required to have an emergency bilge suction fitted to the main circulating pump. | Reg 18(g): Machinery spaces required to have an emergency bilge suction fitted to the main circulating pump. | Reg 18(g): Machinery spaces required to have an emergency bilge suction fitted to the main circulating pump. |
| * System Separation | 56.50-50(h): Bilge piping from cargo and machinery spaces shall be separate from piping used to fill or empty spaces used to carry water or oil. | Reg 17(j): Bilge and ballast piping shall be arranged to prevent water from ballast spaces or the sea from passing to cargo or machinery spaces. | Reg 18(h)(i): All pipes from pumps used for draining cargo and machinery spaces must be entirely distinct from pipes used for filling oil and ballast spaces. | Reg 18(h)(i): Bilge and ballast piping shall be arranged to prevent water from ballast spaces or the sea from passing to cargo or machinery spaces. |
| Bilge Pumps Required | 56.50-55: Three, unless the Criterion numeral exceeds 30, in which case an additional independent power driven bilge pump is required. | Reg 17(b): Three, unless the Criterion numeral exceeds 30, in which case an additional independent power driven bilge pump is required. | Reg 18(b): Three, unless the Criterion numeral exceeds 30, in which case an additional independent power driven bilge pump is required. | Reg 18(b): Three, unless the Criterion numeral exceeds 30, in which case an additional independent power driven bilge pump is required. |
| Oil Systems Piping | Part 56.50: Contains specific requirements for cargo and fuel oil transfer piping, boiler and diesel fuel oil service piping, lube oil piping, and associated tank requirements. | No specific requirement. | Reg 49.b): Pipes conveying oil or combustible liquids shall be of material approved by the administration, having regard to risk of fire. | Reg 46(b): Pipes conveying oil or combustible liquids shall be of material approved by the administration, having regard to risk of fire.<br>Reg 33: Contains additional requirements for location of piping and oil tanks. |

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| Material Requirements | 56.60: Lists specifically approved materials for piping systems. Adopts materials from Sections I, III, and VIII of the ASME Code. Adopts various pipe component standards. Specifies restrictions for some materials in specific installations. | No specific requirement. | No specific requirement. | No specific requirement. |
| Welding and Brazing Requirements | Part 57: Requires qualifications for welders and brazers, and qualifications for welding procedures and production testing be in accordance with Section IX of the ASME Code. Repairs to be submitted to cognizant OCMI for preapproval. | No specific requirement. | No specific requirement. | No specific requirement. |
| Main and Auxiliary Machinery: | | | | |
| * Fuel Requirements | 58.01-10: Internal combustion engines must use fuel with a flashpoint exceeding 110°F (Pensky-Martens Close Cup Method). | Reg 22(a)(ii): Fuel for emergency generator prime mover shall have a flashpoint of not less than 110°F (43.3°C). | Reg 31 and 26(a)(ii)(2): Fuel for all internal combustion engines shall have a flashpoint of not less than 110°F (43°C). | Reg 33(a)(i): Fuel for internal combustion engines shall have a flashpoint (Closed Cup Test) of not less than 43°C. |
| | 58.01-15: Fuel for boilers shall have a flashpoint of not less than 140°F (Pensky-Martens Close Cup Method). | No specific requirement. | No specific requirement. | No specific requirement. |
| * Means of Stopping Machinery | 58.01-25: Machinery driving forced and induced draft fans and all fuel pumps shall be fitted with remote controls outside the machinery space so it can be stopped in event of fire. | No specific requirement. | Reg 69: Controls located outside the space concerned shall be provided to remotely stop ventilating fans, forced and induced draft fans and all fuel pumps. | Reg 34(d)(v): Controls located outside the space concerned shall be provided to remotely stop ventilating fans, forced and induced draft fans and all fuel pumps. |

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| * Main Propulsion Machinery | 58.05-1: At least equivalent to the standards of ABS or another recognize classification society. | No specific requirement. | No specific requirement. | No specific requirement |
| * Astern Power | 58.05-5: Must have sufficient power for going astern to secure control of the ship in all normal circumstances. | Reg 55: Must have sufficient power for going astern to secure proper control of the ship in all normal circumstances. | Reg 28: Must have sufficient power for going astern and secure control of the ship in all normal circumstances. At the initial survey must demonstrate ability to bring the ship to rest from maximum ahead service speed in sufficient time. | Reg 28: Must have sufficient power for going astern and securing control of the ship in all normal circumstances. At the initial survey must demonstrate the ability to bring the ship to rest from maximum ahead service speed in sufficient time. |
| * Refrigeration Machinery | 58.20: Specifies criteria for design, pressure relieving devices, installation of machinery, piping and tests. | No specific requirement. | No specific requirement. | No specific requirement. |
| Steering Gear: | | | | |
| * General | 58.25(a): All vessels shall be equipped with a main and auxiliary steering apparatus. | Reg 56(a): Passenger ships shall be provided with a main and auxiliary steering gear. | Reg 29(a)(i): Every ship shall be provided with a main and auxiliary steering gear. | Reg 29(a)(i): Every ship shall be provided with a main and auxiliary steering gear. |
| * Strength Requirements | 58.25-5(b): Main steering gear must steer vessel at maximum ahead speed and not be damaged at maximum astern speed. Auxiliary steering must steer at navigable speeds. | Reg 56(b): Auxiliary gear must be able to steer vessel at a navigable speed. | Reg 29(a)(ii)and (iii): Main steering must steer vessel at maximum ahead speed and not be damaged at maximum astern speed. Auxiliary steering must steer at navigable speeds. | Reg 29(a)(ii) and (iii): Main steering must steer vessel at maximum ahead speed and not be damaged at maximum astern speed. Auxiliary steering must steer at navigable speeds. |
| * Rudder Angle Indication | 58.25-5(d): At the main steering station. | No specific requirement. | Reg 29(a)(iv): At the principal steering station. | Reg 29(a)(iv): At the principal steering station. |

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| * Rudder Movement and Speed Requirements (Main Gear) | 58.25-10(a): Total travel of 35° on one side to 35° on the other. Rate of 2 1/3° per second from 35° on one side to 30° on the other at full speed ahead. | No specific requirement. | Reg 29(b)(i): Total travel of 35° on one side to 35° on the other. Must go from 35° on one side to 30° on the other in 28 seconds while running ahead at maximum service speed. | Reg 29(b)(i): Total travel of 35° on one side to 35° on the other. Must go from 35° on one aide to 30° on the other in 28 seconds while running ahead at maximum service speed |
| * Rudder Movement and Speed Requirements (Auxiliary Gear) | 58.25-10(b): 15° on one side to 15° on the other in 60 seconds with vessel going ahead at half speed or 7 knots, whichever is greater. | No specific requirement. | No specific requirement. | No specific requirement. |
| * Power Driven Steering Gear | 58.25-20: Required for vessels over 250 feet in length or when upper rudder stock exceeds 9 in. diameter. | Reg 56(b): Required for auxiliary system when rudder stock diameter exceeds 9 in. (22.86cm). | Reg 29(b)(ii): Required for auxiliary system when rudder stock diameter exceeds 9 in. (22.86cm). | Reg 29(b)(ii): Required for auxiliary system when rudder stock diameter exceed 9 in. (22.86cm). |
| * Auxiliary Steering Not Required | 58.25-25: When main unit is dual power hydraulic type with two independent pumps, separate leads to the pump prime movers, and each unit has the capacity to meet the main gear movement and speed requirements. | Reg 56(c): A duplicate main steering gear power unit and connections shall be acceptable as an auxiliary apparatus. | Reg 29(b)(iii): When main units and their connections are fitted in duplicate and each power unit enables the steering gear to meet the power and speed requirements of the main gear. | Reg 29(b)(iii): When main units and their connections are fitted in duplicate and each power unit enables the steering gear to meet the power and speed requirements of the main gear. |
| * Bridge Operation | 58.25-45: Control of main gear shall be by mechanical, hydraulic, electrical, or other approved means from the pilothouse. | No specific requirement. | No specific requirement. | No specific requirement. |



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| * Alarms | 111.93-13: Visual and audible alarms must activate in the wheelhouse upon low oil level in the hydraulic reservoir, failure of the electrical power supply to any steering gear control system and failure to the power supply to any steering gear power Unit. Additional alarms required in the machinery space. | No specific requirement. | No specific requirement. | No specific requirement. |
| * Rudder Angle Indication | 58.25-5(d): Power operated steering gears must have a means to indicate the exact rudder position at the main steering station. | No specific requirement. | Reg 29(a)(iv): Power operated steering gears shall have a means of indicating the exact rudder position at the principal steering station. | Reg 29(a)(iv): Power operated steering gears shall have a means to indicate the exact rudder position at the principal steering station. |
| * Separation of Control | 58.25-50: Shafting, piping or electric cable of the auxiliary steering system shall be run as widely separated as practicable from that of the main steering system. | No specific requirement. | Reg 30(b)(i): Circuits shall be separated throughout their length as widely as practicable. | Reg 30(b)(i): Circuits shall be separated throughout their length as widely as practicable. |
| Fluid Power and Control Systems | 58.30-1(a)(14): Any hydraulic or pneumatic system that Commandant deems to be a hazard to the vessel's sea-worthiness or a hazard to personnel either in normal operation of in a case of failure. Must meet the specific requirements of design, construction and testing of this subpart. | No specific requirement. | No specific requirement. | No specific requirement. |
| Independent Fuel Tanks | 58.30: Specifies design and test criteria for independent gasoline and diesel fuel tanks. | No specific requirement. | No specific requirement. | No specific requirement. |

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| Repairs to Boilers and Pressure Vessels | Part 59: Requires prior Coast Guard approval of all repairs or alterations. Specifies acceptable repairs for cracks, corrosion, rivets, stay bolts, castings and patches in shells and tube sheets. | No specific requirement. | No specific requirement. | No specific requirement. |
| Tests and Inspections | Part 61: Outlines specific testing requirements for boilers, pressure vessels, piping systems, steering gear, main and auxiliary machinery, remote controls and tailshafts. | No specific requirement. | No specific requirement. | No specific requirement. |
| Control Systems For Automatic Auxiliary Heating Equipment | Part 63: Contains specific requirements for control systems. Specifically addressed are: operating control system, flame safe-guard control system, limit control system, combustion control system, fuel supply control system, ignition system, operating water level control and low-water cutoff controls, fuel pumps, alarms, and wiring of electric components. | No specific requirement. | No specific requirement. | No specific requirement. |
| Ventilation of Machinery Spaces | No specific requirement. | No specific requirement. | Reg 47(d): Sufficient to maintain visibility and freedom of smoke in the event of a fire in the machinery space so machinery and equipment therein may be supervised and continue to function properly. | Reg 33(a)(iii): Sufficient under all normal conditions to prevent the accumulation of oil vapour. |

CFR/SOLAS COMPARISON OF ELECTRICAL REQUIREMENTS
FOR
PASSENGER VESSELS

| ELECTRICAL | 46 CFR SUBCHAPTER J | SOLAS '48 CHAPTER II | SOLAS '60 CHAPTER II | SOLAS '74 CHAPTER II-1 |
|---|---|---|---|---|
| General Electrical | | | | |
| * Ship's Service Electrical Power | Electrical Installations must ensure maintenance of all necessary services for vessel operation | Electrical installations must provide essential services | Electrical installations must provide essential services | Electrical Installations must provide essential services |
| * Emergency Conditions | A dependable independent power source with the capacity to supply all services necessary for safety in an emergency must be provided | Electrical services essential for safety must be maintained under various emergency conditions. | Electrical services essential for safety must be maintained under various emergency conditions. | Electrical services essential for safety must be maintained under various emergency conditions. |
| * Safety | Electrical Installations must ensure safety of all persons from electrical hazards | Safety of passengers and crew from electrical hazards must be assured | Safety of passengers and crew from electrical hazards must be assured | Electrical installations must ensure safety of all persons from electrical hazards |
| * General | Subchapter J includes detailed system and equipment installation and construction requirements | No specific requirement. | No specific requirement. | No specific requirement. |
| * Distribution Zones | Circuits must be arranged such that fire in one main fire zone does not interfere with essential services in another main fire zone | Circuits must be arranged such that fire in one main fire zone does not interfere with essential services in another main fire zone | Circuits must be arranged such that fire in one main fire zone does not interfere with essential services in another main fire zone | Circuits must be arranged such that fire in one main fire zone does not interfere with essential services in another main fire zone |
| Main Source of Electrical Power | | | | |

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| * Number of Ship's Service Generators | At least 2 | At least 2 | At least 2 | At least 2 |
| * Generating Capacity | With any one generator stopped, the combined capacity of the remaining generators must be sufficient to supply the ship's service load | Power of generators must ensure specified services with any one generator stopped | Power of generators must ensure specified services with any one generator stopped | Power of generators must ensure specified services with any one generator stopped. |
| * Shaft Generators | Electric power must be maintained regardless of speed or direction of the main engine or shaft | No specific requirement. | No specific requirement. | No specific requirement. |
| * Dead Ship Start | With any one generator's primary source of power out of commission the remaining electrical sets must be capable of providing the electrical services necessary to start the main propulsion plant from a dead ship condition. The emergency generator may be used for this purpose. | No specific requirement. | No specific requirement. | No specific requirement. |
| Lighting | The lighting distribution system must be arranged so that a fire in one fire zone does not interfere with lighting in another fire zone | No specific requirement. | No specific requirement. | No specific requirement. |
| | Emergency lighting with independent feeders must be provided | No specific requirement. | No specific requirement. | No specific requirement. |
| | Lighting in public spaces must be divided between 2 or more branch circuits | No specific requirement. | No specific requirement. | No specific requirement. |
| | Detailed wiring and installation requirements are given | No specific requirement. | No specific requirement. | No specific requirement. |

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| **Switchboard** | | | | |
| • Location with Respect to the Generator | The main switchboard and the ship's service generators must be in the same space | No specific requirement. | No specific requirement. | No specific requirement. |
| • Split Bus Operation | The switchboard for generating installations of greater than 3000 KW must be divided into two sections with duplicated generators and equipment connected equally between the sections | No specific requirement. | No specific requirement. | No specific requirement. |
| • Misc. | There are detailed requirements for location, installation, construction, bus sizing, and the equipment that must be located on the switchboard | Non conducting matting or gratings must be provided | Switchboards must provide easy access and give adequate protection. Non-conducting matting or grating must be provided as necessary | Switchboards must provide easy access and give adequate protection. Non-conducting matting or gratings must be provided as necessary |
| **Emergency Source of Electrical Power** | | | | |
| • Emergency Source | Must provide | Must provide | Must provide | Must provide |
| • Location | Above uppermost continuous deck. Aft of collision bulkhead. Outside of machinery casing | Above bulkhead deck, outside of machinery casing | Above bulkhead deck outside of machinery casing | Above bulkhead deck outside of machinery casing |
| • Non-Emergency Loads | Not allowed, except via feedback to main switchboard. Feedback circuit breaker must be designed to open prior to overload of emergency generator | No specific requirement. | No specific requirement. | No specific requirement. |
| • Period of Operation | Supply all emergency loads for 36 hours | Supply emergency loads for 36 hours | Supply emergency loads for 36 hours | Supply all emergency loads for 36 hours |

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| * Emergency Generator | Driven by a prime mover with a self-contained cooling system and an independent supply of fuel that must have a flashpoint of not less than 43°C | No specific requirement. | Driven by a prime mover with an independent fuel supply and approved starting arrangements. The fuel must have a flashpoint of not less than 43°C | Driven by a prime mover with an independent fuel supply and approved starting arrangements. The fuel must have a flashpoint of not less than 43°C |
| * Automatic Start | Emergency generator must start automatically upon failure of the main source and automatically supply power to the emergency loads in 45 seconds or less | No specific requirement. | No specific requirement. | No specific requirement. |
| Emergency Source of Electrical Power | | | | |
| * Emergency Batteries | Supply specified services for the specified duration without recharging | No specific requirement. | Supply specified services for the specified duration without recharging | Supply specified services for the specified duration without recharging |
| * Automatic Connection of Batteries | Batteries must automatically connect to the emergency switchboard upon failure of the normal source | Batteries must automatically be connected upon failure of main supply | Must be automatically connected | Batteries must automatically connect to the emergency switchboard upon failure of the normal source |
| * Charging of Batteries | Batteries used as the emergency power source must be connected to an automatic battery charger that maintains them fully charged | No specific requirement. | No specific requirement. | No specific requirement. |
| * Temporary/Transitional Power Source | Must provide.<br>Must be arranged so as to ensure no interruption of power. Must be sized to carry specified loads for 30 minutes. | Must provide.<br>Must operate automatically | Must provide.<br>Operate automatically<br>Carry load for 30 minutes | Must provide.<br>Must operate automatically<br>Carry specified loads for 30 minutes |
| * Emergency Switchboard Location | For generators - in same space<br>For batteries - not in same space, but as close as practicable. | No specific requirement. | For generator - in same space<br>For batteries - not in same space, but as close as practicable. | For generators - in same space<br>For batteries - not in same space, but as close as practicable |

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| • Emergency Switchboard Normal Supply | Normal supply must be from main switchboard. Protection must be provided for overload and short circuit | No specific requirement. | No specific requirement. | No specific requirement. |
| • Dynamic Conditions | 30° List | 22.5° list and/or 10° trim | 22.5° list and/or 10° trim | 22.5° List and/or 10° Trim |
| Starting Arrangements for Emergency Generators | | | | |
| • Temperature | Capable of starting and carrying load at 0°C | No specific requirement. | No specific requirement. | No specific requirement. |
| • Starting Capacity | Starting devices must have a stored energy capacity of at least 6 consecutive starts. Three of these starts must be held in reserve | No specific requirement. | No specific requirement. | No specific requirement. |
| Electrical Safety | | | | |
| • Equipment Grounding | Exposed metal parts of electrical equipment must be grounded | Exposed metal parts of electrical equipment must be grounded | Exposed metal parts of electrical equipment must be grounded | Exposed metal parts of electrical equipment must be grounded |
| • Hull Return | Not allowed | Not allowed | Allowed with special precautions | Allowed with special precautions. |
| • Overcurrent Protection | Each circuit must be provided with overcurrent protection as specified. Requirements are provided for different types of equipment and systems and for location and type of overcurrent device | Circuits must be protected against overload | Each circuit must be protected against overload and short circuit. Ratings must be permanently marked at the protective device. | Each separate circuit must be protected against short circuit and against overload. Ratings must be permanently marked at the protective device |

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| ° Disconnects in Cargo Space | Distribution panels must be outside cargo spaces | No specific requirement. | All power and lighting circuits in cargo spaces must be provided with multiple pole disconnect switches outside the space | All power and lighting circuits in cargo spaces shall be provided with multiple pole disconnect switches outside the space. |
| ° Batteries | Detailed requirements for batteries and battery installations are given. Explosive hazards from battery charging and requirements to prevent explosions are given | Batteries must be suitably housed and properly ventilated. Arcing devices must not be in a battery compartment | Batteries must be suitably housed and properly ventilated | Batteries must be suitably housed. The housing must be efficiently ventilated. |
| Electrical Equipment in Hazardous Areas | Classification of hazardous areas. Requirements parallel NEC. Approved equipment must be listed | No specific requirement. | Electrical equipment must not be in hazardous areas unless it is flameproof or explosionproof. | Electrical equipment must not be in a hazardous area unless it is flameproof or explosionproof. |
| Wiring & Cabling | | | | |
| ° Flame Retardant | Electric cables must pass vertical flame test specified in IEEE 45 | No specific requirement. | Electric cables must be of the flame retardant type | Electric cables must be of the flame retardant type |
| ° Armour | Must be grounded | Must be grounded | Must be grounded | Must be grounded |
| ° Installation | Detailed requirements | Must be installed to prevent damage | Must be installed to prevent damage | Must be installed to prevent damage |
| General Alarm | Required. Installation and design details are provided | The emergency signal of six short blasts followed by one short ballast on the ship's whistle must be supplemented by electrically operated signals throughout the ship | The emergency signal of six short blasts followed by one short ballast on the ship's whistle must be supplemented by electrically operated signals throughout the ship | The emergency signal of six short blasts followed by one short ballast on the ship's whistle must be supplemented by electrically operated signals throughout the ship |

# U.S.-FLAG CRUISE SHIP INDUSTRY

TUESDAY, MAY 7, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON MERCHANT MARINE,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
*Washington, DC.*

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 1334, Longworth House Office Building, Hon. Mario Biaggi (chairman of the subcommittee) presiding.

Members present: Representatives Biaggi, Hertel, Ortiz, Shumway, Fields, Bateman, Saxton, Bentley, and Callahan (full committee member).

Staff present: Cyndy Wilkinson, Greg Lambert, Ann Mueller, Ed Welch, Kurt Oxley, Mark Aspinwall, Chris Goebel, Kip Robinson, Brian Kelly, and Gwen Lockhart.

## STATEMENT OF HON. MARIO BIAGGI, CHAIRMAN, MERCHANT MARINE SUBCOMMITTEE

Mr. BIAGGI. The meeting will come to order.

The subcommittee meets today to continue its examination of the passenger cruise industry. In recent years, Congress has considered a number of bills dealing with various aspects of the cruise trade. Today, we will look at methods of increasing the U.S.-flag presence in the domestic cruise industry.

Currently, U.S.-flag vessels play a very limited role in this area, one of the fastest growth segments of the maritime industry. In the American trade, there are 55 deep-sea cruise ships operated by 19 companies, yet only one of these companies—operating two vessels—flies our flag.

A primary purpose of this hearing is to examine methods of increasing the number of large, oceangoing vessels under the U.S. flag. It has been argued that, without a construction subsidy, it is impossible to build a large, oceangoing vessel domestically that could effectively compete with foreign-flag operators. Since construction subsidy is an unlikely prospect, we are forced to look at alternative solutions.

Some of the initiatives we have asked witnesses to examine are the following:

Legislation granting foreign-built, reflagged vessels temporary or permanent coastwise trading privileges;

Legislation to permit vessels partially built in a foreign shipyard to engage in the coastwise trade; and

Legislation permitting U.S.-built vessels, reconstructed overseas to retain their coastwise trading privileges.



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Our goal is to see a significant number of cruise vessels under the U.S. flag. This has been a controversial issue. However, in light of the great opportunities in this area, I believe we should work together to find ways to revitalize the domestic industry.

I ask unanimous consent to place in the record a statement by the Hon. Norman F. Lent; Paul Wells, president of Adventure Cruise Lines, and a letter from Hill, Betts, & Nash, attorneys for "Floating Through America, Inc."

[The statement of Mr. Lent follows:]

STATEMENT OF HON. NORMAN F. LENT, A U.S. REPRESENTATIVE FROM NEW YORK

Chairman Biaggi, I am pleased that you are proceeding with this hearing to look at ways to increase the presence of U.S.-flag ships in the growing cruise ship industry.

It will be very interesting to hear the testimony presented today by the witnesses we have scheduled. The testimony today will be a valuable addition to the testimony which we received at the field hearing in Miami several weeks ago, coupled with the voluminous testimony that our Committee received during the last Congress.

I think everyone on this Committee is interested in seeing if there isn't something that we can do to provide for increased United States involvement in the lucrative cruise business. We have all seen and read about the foreign cruise ships in our country. I would be delighted if there could be a way to allow U.S. operators to take advantage of the popular vacation cruise ship business. I, for one, have no desire to do anything that would adversely affect the existing foreign operators because they obviously have been successful in this business and represent an enormous economic input for our ports and the surrounding cities and counties. I can't help but believe, however, that there is a way that U.S. companies can begin operations if not directly in competition with foreign operators, then in our protected domestic trade in some form or another.

I don't believe that anyone here wants to go through the agonizing experience that we did in the last Congress over the attempt to reflag the two Cunard passenger ships. However, I definitely believe that it is worth hearing from knowledgeable industry representatives to determine if there is a means of providing for additional U.S. ships in this industry.

[The other material can be found at end of hearing.]

Mr. Shumway, any comments?

Mr. SHUMWAY. Thank you, Mr. Chairman.

I would like to join with you in welcoming the panels of witnesses that are scheduled to testify this morning. This is obviously a very important subject matter and one which is really of great interest to this subcommittee and I join with you in looking forward to their testimony.

Thank you.

Mr. BIAGGI. The first witness will be the Honorable Harold Shear, Administrator, Maritime Administration, Department of Transportation.

## STATEMENT OF HON. HAROLD E. SHEAR, ADMINISTRATOR, MARITIME ADMINISTRATION, DEPARTMENT OF TRANSPORTATION

Admiral SHEAR. Mr. Chairman and members of the Subcommittee on Merchant Marine, it is a pleasure to appear this morning to present the views of the administration with respect to the American passenger cruise ship industry. The passenger cruise ship industry operates out of U.S. ports in the international and domestic trades. The domestic cruise trades are reserved to U.S.-flag and U.S.-built vessels by the Jones Act.

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The administration strongly supports the U.S.-flag cruise ship industry and the Jones Act. Shortly after the change in administration in 1981 there was a general review of U.S. maritime policy. One of the results of that review was a strong endorsement of the Jones Act. The Secretary of Transportation stated in 1982 that the administration reaffirms the sanctity of the Jones Act. That continues to be the administration policy.

Your letter of invitation asked that the administration address a number of policy concerns regarding use of foreign built or rebuilt cruise ships in the U.S. coastwise trades. The responses are in the context of the administration's full support of the Jones Act.

Consistent with that position the administration would not support, and would strongly oppose, any amendment to the Jones Act that would allow on a permanent or a temporary window basis an unrestricted number of foreign-built cruise ships to operate in our coastwise trades. For the same reason, the administration would strongly oppose any general amendment to the Jones Act that would allow an unlimited number of U.S.-flag domestic cruise ships to be partially built or rebuilt in foreign shipyards.

With respect to whether there could be a limited number of foreign-built cruise ships permitted with some restriction to have coastwise trading privileges, in the abstract, I cannot state that the administration would never support a very limited and carefully conditioned amendment to the Jones Act for one or more foreign cruise ships. Each particular legislative proposal will have to be carefully reviewed.

The administration's consideration of such a legislative proposal would include the impact on existing and anticipated U.S.-flag cruise operations, the impact on U.S. shipbuilding, the impact on the U.S. seafaring and general work force, the conditions placed on owners and operators receiving such privileges, the number and characteristics of the foreign ships, compliance with safety, regulatory, and environmental standards, and the specific time period involved. The circumstances justifying any statutory change will have to be consistent with the commitment of this administration to maintain the integrity of the Jones Act.

There now exists a modest U.S.-flag passenger cruise ship industry in the Jones Act trades. American Hawaiian Steamship Co. operates two large, traditional passenger cruise vessels in the Hawaiian Islands. The remainder of the domestic cruise market is currently served by smaller vessels such as river steamboats, excursion boats, and coastwise vessels. These ships offer cruises between U.S. ports on the inland waterways or along the U.S. coasts.

Currently, only foreign-flag operators serve the international cruise market. Although U.S.-flag vessels in the domestic trades do not directly compete with foreign-flag cruise vessels in the international cruise market, they do compete for the same vacation dollar. The enactment of Public Law 97-424, approved January 6, 1983, could prove to be of assistance to present and prospective U.S.-flag cruise operators in the domestic cruise market. Section 543 of that act allows up to $2,000 in expenses incurred by participants in business functions on board U.S.-flag cruise vessels to be deducted from taxable income. This tax deduction does not apply to the participants of similar functions on foreign-flag cruise vessels.

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Mr. Chairman, I believe that there is a market for additional U.S.-flag cruise vessels in the domestic trade. About 1.5 million Americans took cruises last year. I believe that many of those passengers would have booked on U.S.-flag cruise vessels if they had been available.

Several projects have potential to provide large ocean-going U.S.-flag ships that will serve the cruise trade and be available in time of national emergency to serve as troop transports and hospital ships. Among these projects are the following that are active.

U.S. Cruises, Inc. plans to place the SS *United States* back in service. The company has signed construction contracts subject to finalizing a financial package. It has spent a great deal of time and money on the project. It appears the company may be nearing the final stage of completing this endeavor.

Adventure Cruise Lines, Inc. has applied for a Federal guarantee under title XI of the Merchant Marine Act of 1936, as amended, to aid in the financing of a large U.S.-flag passenger vessel to operate in the American cruise trade. A contract for design drawings has been signed, but the construction contract has not been executed yet.

I have also had discussions with Mr. Barry Snyder, president of Signet Cruise Lines, regarding their proposal to build two large U.S.-flag cruise vessels. I understand Mr. Snyder will be testifying this morning, and he can give you further details.

Mr. Chairman, in summary, the administration has aggressively promoted U.S.-flag cruise ship projects that are economically viable and financially sound, and will continue to do so. At the same time, it has and will fully support the Jones Act.

That concludes my prepared testimony. I will be pleased to answer any questions that you or the subcommittee members may have.

Mr. BIAGGI. In your closing remarks, you said the administration is aggressively promoting U.S.-flag cruise ships. Will you tell me how they have aggressively promoted U.S.-flag cruise ships?

Admiral SHEAR. We have been working with all the potential builders of cruise ships; and we have made it clear that, as long as they are financially sound and viable and strong, that we will support them fully.

Mr. BIAGGI. What does that mean, support them fully?

Admiral SHEAR. Support them fully with title XI financing.

Mr. BIAGGI. That is the extent of the aggressive attitude of the administration?

Admiral SHEAR. We also have been working with the shipyards in every particular case where a project has been attempted to be put together——

Mr. BIAGGI. Tell me one that has been put together.

Admiral SHEAR. None have been finalized as of this date.

Mr. BIAGGI. That effort has been underway for a number of years. On page 4 of your comments, you make reference to the SS *United States*, and I know Mr. Hadley has been out there for a number of years. You make reference to Venture Cruise Lines—Mr. Snyder. This is not the first time Mr. Snyder has appeared on the scene. He was here some time ago, and the project never materialized. Venture Cruise Lines was there when we dealt with two

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other vessels. This seems like a repetition of an old scenerio. The minute we look into a situation we find projects suddenly coming out of the air.

Admiral SHEAR. Mr. Chairman.

Mr. BIAGGI. Yes.

Admiral SHEAR. In the more than 3 years I have been in this position, probably the most frustrating thing we have to deal with is attempting to put together a viable American cruise ship program. We have promoted every one as vigorously as we could. These three that I mentioned this morning are as close as any projects we have been able to put together in the past several years. There is still work to be done with respect to each one of them.

Mr. BIAGGI. I would suggest, Admiral, that during the 3 years you have been there you have been cooperative, but I don't think you should assume the responsibility of the administration, for the length of time it has been in office, when you say it is aggressively pursuing this area of our concern.

On the top of page 4, you say you believe many of the million passengers, mostly Americans, who took cruises last year would have booked on U.S.-flag cruise vessels if they had been available. How could they be available and compete? We are talking about a stagnant situation. Then you come and tell me about the Jones Act, and we know about the Jones Act. We are talking about a situation that has not developed; it is in a state of stagnation. We are here to develop some suggestions that could possibly break us loose from this paralyzing situation.

On page 2, you talk about how the administration's consideration of any such legislation would have to include the impact on existing and anticipated U.S.-flag cruise operations. What impact? What operation? Two in Hawaii?

Admiral SHEAR. Those are the two largest ships we have at present.

Mr. BIAGGI. They are there because of this committee's activity.

Admiral SHEAR. If we were to bring in additional foreign-flag ships, we would have to consider the impact on the American-built cruise ship trade with regard to the situation at the time they were to be brought in.

Mr. BIAGGI. You are only talking about two vessels.

Admiral SHEAR. At the moment, that is all we are talking about.

Mr. BIAGGI. Those two vessels plying the waters out in Hawaii are only dealing with a limited area. We have the rest of the U.S. coast. You are also concerned about the impact on U.S. seafaring and general work forces; so are we. If you bring in vessels you will have some seafaring jobs. We proved that time and time again. Also, the work force in the shipyards; they are not doing a damn thing now to create jobs in this area.

You talk about safety, regulatory, environmental standards. Of course, we agree on that.

You make reference to the remainder of the domestic cruise market currently served by smaller vessels such as river steamboats. You are talking about apples and oranges. Further, they compete for the same vacation dollar—less than 5 percent of that market that is being used now with the prospect of a substantial increase.

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Last year the administration failed to take a position on legislation that meets the requirements you set out on page 2 and this year you oppose legislation. Where does the administration stand?

Admiral SHEAR. With regard to the situation on bringing ships in, first of all, we would have to review each particular case. Second, we would also have to insist that any particular work which had to be done on vessels would have to be done in American yards.

Mr. BIAGGI. Are you telling us, Admiral, that we shouldn't change anything?

Admiral SHEAR. No, sir; I am not saying that.

Mr. BIAGGI. Please tell me what we should be doing that could make it possible to bring some ships into the American cruise industry.

Admiral SHEAR. I am not suggesting that we do nothing at all, Mr. Biaggi. I am suggesting that in each case we review the situation carefully. If there is a proposal to bring in foreign ships, we must review each case thoroughly. We must review it in light of what is going on in our own industry, if anything. If nothing is going on, of course, that would have impact on our considerations of bringing a small number of ships in.

Mr. BIAGGI. What would you require in order to have the administration support——

Admiral SHEAR. We would have to look at the status of the potential projects which are before us. If these projects are moving forward, that fact would have a definite impact on our concern over whether a small number of foreign ships came in or did not come in.

Mr. BIAGGI. If I remember, 2 years ago we had hearings, and we talked about two Cunard vessels. There wasn't a bona fide offer in the whole lot. A scenario developed that was sheer fabrication. It was transparent and yet there was a basis for opposition. The administration was noncommittal. What do we require? The only thing that was in the wings at that point, Mr. Hadley and his SS *United States*, was years down the road. They haven't come to any agreement, to this date, haven't come to any. All of the others went by the wayside. That was an ideal situation. What more would you require?

Admiral SHEAR. I recall very well that project which essentially came to naught over the past several years. As I said a few moments ago, we would be prepared to look at any particular window, but that is with regard to a limited number of vessels, and evaluate the proposal with regard to the situation in our own industry and act accordingly.

Mr. BIAGGI. I have no quarrel with some limitation, but I think it should be considered on a case-by-case basis. We already have that authority, and that is what we have been doing right along.

When we have tried to do it in the past, comments were that it was special interest legislation. We have special interest legislation all over this Congress, special interest in the interest of the people of this country across the board. Those specious comments are not appropriate or necessary. They fall on deaf ears as far as I am concerned.

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Admiral SHEAR. I say in my testimony, Mr. Chairman, to the effect that I cannot state that the administration would never support a very limited and carefully conditioned amendment to the Jones Act for one or more foreign cruise ships. I cannot state that we would never support such legislation. I also said further, that each particular legislative proposal would have to be carefully reviewed. That is a clear position.

Mr. BIAGGI. I didn't know that this line of questioning would take us down the primrose path. As long as we are on it, let me pose this question. If the Cunard question came up again, would the administration support it?

Admiral SHEAR. The administration would review it very carefully with regard to other proposals before us at the time.

Mr. BIAGGI. Admiral, you are very adroit and I respect your position, but that is exactly what we are talking about. We have been through it. The administration knows every detail in connection with the Cunard vessels. I don't think you require in your own secret heart any further review.

Admiral SHEAR. I am not trying to dodge your question.

Mr. BIAGGI. I know, Admiral.

Admiral SHEAR. What I am saying is that we would review it very carefully and thoroughly.

Mr. BIAGGI. I assumed that you had done that the last time the bill came up, Admiral. I know you have an excellent memory. In your statement you cite the administration commitments to the Jones Act. I have been visited by numerous domestic trade operators, in light of the CDS repayment question. Would you care to comment?

Admiral SHEAR. Is your question with regard to the Jones Act versus the CDS repayment?

Mr. BIAGGI. Yes.

Admiral SHEAR. That decision has been made that when the ships pay back all of their CDS construction money with interest, they effectively become U.S.-built ships without subsidy—U.S.-built, U.S.-manned—they effectively become Jones Act ships.

Mr. BIAGGI. Well, we know what they effectively become, Admiral, but it is not a strict application of the Jones Act, is it? CDS-built vessels are of U.S. construction. Doesn't your proposed rule discourage investment and harm shipyards? In short, the same argument used against reflagging of cruise vessels?

Admiral SHEAR. That decision has been made to bring the ships back in and it is going to result in enhancing competitiveness in the trade. It may have a longer term impact on construction. I would certainly hope it does not.

Mr. BIAGGI. How many title XI applications are before your agency?

Admiral SHEAR. For cruise ships at the moment, one application is on file at the moment.

Mr. BIAGGI. That is Venture Cruise?

Admiral SHEAR. That is Venture Cruise, that is correct.

Mr. BIAGGI. What is the history of Venture Cruise?

Admiral SHEAR. They are experienced cruise ship operators. Their proposal is to build a ship in a U.S. yard of about 500-passenger capacity for coastwise operations. They have design contracts

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which they have let with European passenger ship companies. They have not yet proceeded with a shipyard contract, although they are negotiating with several yards.

Mr. BIAGGI. Have you approved the application?

Admiral SHEAR. We have not approved the application, no. We don't have the definitive details yet to proceed with any sort of approval.

Mr. BIAGGI. We have invited them to testify today. They apparently are not testifying, but they have submitted a statement for the record. I am curious about its contents.

I am informed by counsel that the contents indicate they oppose every other suggestion, they fully support the Jones Act.

In light of the current problem with title XI, what are the prospects for approval of the application?

Admiral SHEAR. Provided that an applicant meets the revised requirements of the new title XI regulations, that is, that they are a financially sound and economically viable company, there is no reason why they cannot qualify for title XI financing at the present time.

Mr. BIAGGI. You say the shipbuilding industry is important, yet the administration supports build foreign legislation. How do you reconcile these positions in light of the fact that our yards have the capability to build cargo ships but haven't built a large cruise ship in 30 years?

Admiral SHEAR. The administration has vigorously supported build foreign in order to promote an efficient, modern, aggressive, competitive merchant marine. The ships that we are taking delivery on from foreign yards are just that. They are extremely competitive ships. The owners are delighted with them. They are doing very well in the international trade, and it is probably the most significant thing we have done to get the U.S. merchant marine back on its feet in many, many years.

Now, this does not, however, put work into American shipyards. What we have done with regard to putting work in American shipyards is moved forward with a very visible Navy program; moved forward with a modest Jones Act program, where the ships must be built in American yards; and moved forward with a reasonable amount of overhaul, repair, conversion, and such additional work as Ready Reserve Force updating.

I would like nothing better than to see a number of ships, of cruise-type vessels from 500 to 1,000 passengers, be built in this country. I would like nothing better than that, and although the history has not been good, the project we are talking about will hopefully bring several ships of that type to the fore.

Mr. BIAGGI. In terms of protecting our shipyard base, what legal prohibitions would you recommend we include in legislation to protect that base?

Admiral SHEAR. To protect what?

Mr. BIAGGI. To protect the base, the shipyard base in our country?

Admiral SHEAR. Well, I am not sure that we need any particular legislation to protect the base at present. Although there is an uneven distribution, there is a great deal of work in a certain number of yards. Other yards, however, are desperate for work. We

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are doing our best in programs that are coming along now with regard to the Navy auxiliaries, Jones Act work, conversions, and repair, to spread that around to the largest number of yards possible. It is not a wholly satisfactory situation in any sense, and we are quite concerned about it. We don't want to see any yard go by the board or have to shut down. We have already lost a number of yards. We certainly don't want to see any more disappear.

Mr. BIAGGI. I think you made a very salient point. It always puzzles me how a few shipyards get the lion's share of the work while other yards find themselves in very poor condition.

Admiral SHEAR. The yards that get the lion's share are the type of yards that have the sophistication to proceed with Navy combatant work. Unfortunately, that is not uniformly spread throughout the shipbuilding industry.

Mr. BIAGGI. Mr. Shumway.

Mr. SHUMWAY. Thank you, Mr. Chairman.

Admiral Shear, I think that I share much of the chairman's concern about the status of this particular subject. I guess all of us share that concern. We simply don't have the uniform approach as to what we might do about it. I don't necessarily share the chairman's criticism of this administration and your efforts.

Mr. BIAGGI. Excuse me. If you would yield, I didn't question the admiral's efforts. I made it very clear I recognize his 3 years of cooperation and concern. My criticism goes beyond this administration. It goes to the previous administrations as well. But we were just talking about the administration's position on this issue at this moment.

Mr. SHUMWAY. Thank you. I didn't mean to imply that you were critical of this administration. I understand that this is an ongoing problem and really has gone beyond the years in which this administration has been in office. But it seems to me that Admiral Shear and the industry in general are faced with the obligation of operating or living within the confines of a law and the economic realities that exist today. I think that if those of us in Congress do not like the effect of that kind of operating, then our job is to change the law or perhaps change the economy. I think that we could have an influence upon the economic conditions of this country if we, for example, would reduce our Federal deficits. I think all of us recognize that would be a very healthy step forward in terms of restoring health and stability to many of our industries.

But I do not believe that the answer to this problem lies in subsidies or Government favors. I think to a large extent I support the administration's defense of the Jones Act. But I am wondering, Admiral Shear, if somehow the Jones Act could not be made more accommodating. I recognize its purpose in protecting the maritime industry but at the same time, we have the needs of free enterprise that knock on the door and I think that knock has to be heard and responded to. Isn't there some way we could better balance the competing needs that we have here and still provide some modicum of protection to our own industry and perhaps revitalize some of it, but at the same time, allowing some of the other efforts to go forward?

That, to me seems to be the problem. In my mind I view it as perhaps a house or a building that has a front door on it and inside

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that house there is furniture. There are various kinds of accommodations and there are people standing on the front porch, and knocking at that front door in an industry that has waited now for many years for that door to open. The door has not opened. I think, Admiral, you have expressed some optimism that you think it will in the near future, and I suppose we will be hearing from those operators who might lend some support to that optimism. But I am just wondering if there isn't any way we can rearrange the furniture inside the building, or replace the objects inside the building, so that maybe the door could open from within and that we would find the means within the law, without totally tearing down the Jones Act and everything that it stands for, to allow this kind of revitalization of the passenger cruise ship industry?

Admiral SHEAR. Your question is a good one, Mr. Shumway. First, let me say a word about the Jones Act before I address the cruise ship aspect of it per se. There is a great deal of competition within the Jones Act domestic trade. It is good, healthy competition. In the coastal tug and barge business and in the offshore support for places like Puerto Rico, Alaska, Hawaii, there is vigorous and keen competition. That is a very healthy situation. A number of strong, aggressive companies are keeping rates down and are very competitive.

Now, with regard to the cruise ship situation, as I said a few minutes ago to Chairman Biaggi, it has been an extremely frustrating experience to try to get any American flag cruise ships built. We have had frustration after frustration. We have made clear here this morning that the administration is prepared to look over very carefully any proposed amendment for a small number of ships, foreign-built ships, to come into the Jones Act. We will do that very carefully on each particular legislative proposal.

Mr. SHUMWAY. Well, I share that frustration and I guess that is why I can't be as optimistic as you are under the present circumstances. The economy being what it is and the law being what it is. Given the fact that there are extremely high costs of building ships in the United States, it just seems to me an unlikely prospect a U.S. operator could afford to enter the business burdened with that kind of a high-capital outlay and faced with the prospects of competing with lower cost foreign ships that obviously can offer less-expensive tour packages. Somehow that dilemma has to be solved. It has to be broken down into smaller parts that we can deal with on an individual basis.

Admiral SHEAR. The difference in the competition is the fact that a Jones Act operator does and would have a very appreciable advantage versus his foreign counterparts operating out of U.S.-flag ports in a Jones Act situation.

For example, a Jones Act, U.S.-flag operator, has the exclusive right to operate on all of our coasts. That is something that a foreign flag operator would be delighted to have. So he does have certain keen competitive advantages which he can take advantage of when he gets the ships.

Mr. SHUMWAY. Thank you, Admiral.

Thank you, Mr. Chairman.

Mr. BIAGGI. Mr. Bateman.

Mr. BATEMAN. No questions, Mr. Chairman, thank you.

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Mr. BIAGGI. Mr. Hertel.

Mr. HERTEL. Admiral, in reading your statement, the administration's opposition to exceptions, do we see anything concrete as far as American building of passenger ships? You refer to some. We are always talking about paper ships. Do you see any of these American efforts to build passenger ships, which are so needed, to be close to reality?

Admiral SHEAR. As I went over the three potential projects—the only three potential projects that I have before me at the present time, one is a title XI application, the second one will essentially be financed privately by both foreign dollars and American banks, and the third, in due course, will have a title XI application for up to about 50 percent of the costs.

I can't say categorically whether any of these three are going to come to fruition. I have been down this path time after time after time. The one closest right now, at this moment, is the SS *United States*. We have been working on that particular project for nearly 3 years. It hasn't come to pass yet, but it is closer now than it ever has been. If the financial statements are put together that project will go. The design work is completed, and the foreign yard contract for interior refurbishing is completed. They have a contract with Alabama Dry Dock for the external construction work, which must be done in American yards, but they haven't got the final stages of the American financing put together to actually start the work.

Mr. HERTEL. Well, how much money is there in the foreign cruise business as far as Americans going out on all these foreign ships? How much would you estimate Americans and others are spending in this foreign cruise business?

Admiral SHEAR. I will provide that for the record, but it is a very significant amount of business, and a very significant amount of money that Americans are spending in cruise ship voyages today.

[The following was submitted:]

AMERICA'S CRUISE COSTS

We estimate this to be in excess of $2 billion.

Mr. HERTEL. One thing that we all agree on, we would like to have American ships built in this country. The problem is obviously that they are not being built and haven't been built for decades. We are losing all of this business and all of this money unfortunately. You look in the paper and see all these great cruise advertisements. Unfortunately, I don't think that many of our citizens understand that these are all foreign ships and money is going overseas and we are losing hundreds of millions of dollars.

I guess one reason that we are interested in this hearing today is how we get off dead center and make some progress. It appears to be kind of a chicken and egg situation to some degree. Aside from the high cost to build these ships, there still appears to be a problem of how you get started and show the business is there, that you can compete, and therefore, get the financing. Because as you point out, that is always the sticker. We can design the ships, we certainly have plenty of people to build the ships. The problem is always the financing. Isn't that true, Admiral?

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Admiral SHEAR. The problem is always stymied in the financial end.

Mr. HERTEL. What you are telling us in your statement today is that the administration itself has no real ideas and we don't have, unfortunately, any optimistic projections for change. Is that a fair summary?

Admiral SHEAR. I brought you up to date on everything I have before me. I also said that on a careful, considered basis, we will review very carefully proposals to provide a very limited number of foreign-flag ships.

Mr. BIAGGI. Mr. Saxton.

Mrs. Bentley.

Mrs. BENTLEY. Thank you, Mr. Chairman.

You have touched on a number of points here today beyond just the passenger cruise business and one of them is what are we doing in the Merchant Marine and the maritime industry per se. I have been around this industry for 35 years and for 35 years we have been asking for a maritime policy from an administration and I have yet to see it. In 1970 we did get the Maritime Act of 1970 passed under President Nixon, and last year we did get the Federal Maritime Commission laws changed, 1916 Act changed, but there has never been, to my knowledge, any layout on what is really needed in this country should we be confronted with an emergency as we were in World War II.

Where do we go from here? This is one of the things that has bothered me for a long, long time. If there is such a policy right now, it is the best kept secret around. And along with that, we have let our shipbuilding and ship repair industry deteriorate to a point where I am gravely concerned about the whole erosion of the industrial base and if we get into an emergency, I think we are going to have trouble getting out the ships that the Navy presently laid out that they need.

I discussed this with Admiral Shear. He knows how I feel about it. I am one who is strongly in support of adequate ship repair yards and a shipbuilding industry in this country. I think it would be better for us to be paying a subsidy for this rather than paying unemployment compensation and TAA while people are sitting on the side at home wondering whether or not something might come their way.

Having said that, I would like to point out to you, Mr. Hertel, that on Sunday the *Queen Elizabeth II* came into the Port of Baltimore. It took out 1,500 passengers, and I would say that they spent at least $500 million minimum for that voyage. That gives you an idea of the type of revenue that is available. There are 1,800 persons employed on that ship, which would be rather substantial employment for 1,800 Americans. But this is the business that we are losing to the foreign-flag vessels.

Admiral, is there any allowance in current law which permits any amount of modification and reconstruction of a coastwise qualified vessel that can be done in a foreign yard without the loss of coastwise privileges?

Admiral SHEAR. Each case is reviewed carefully by the Coast Guard. Basic construction work—external hull work, additional decks, the type that are being proposed for the SS *United States*—

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must be done in American yards. The external refurbishing, updating of quarters and staterooms and so forth, may, in some cases be done in foreign yards. That is the proposition which may be approved for the SS *United States.*

However, the law, going back all the way to the 1800's, is not clear on that and in the case of a new construction, the hull, the machinery, the propulsion equipment, the ship maneuvering equipment must be built in American yards. Then what is built foreign has to be very carefully looked at. Then—as in the case of Mr. Snyder's proposal—we go over this very, very carefully with the Coast Guard. We have determined that in the case of a new ship of that type, we must get congressional authority for the amount of work which is to be done foreign. That will have to be part of the package as it moves forward.

Mrs. BENTLEY. How frequently do domestic coastwise operators utilize foreign shipyards for these purposes?

Admiral SHEAR. We only have two large vessels, those two in the Hawaiian Islands. Those ships are overhauled on the west coast. I don't know any time they have been overhauled in foreign ports in recent years. Their typical maintenance work is done in Hawaii in local facilities there, but the two most recent overhauls have been on the west coast.

Mrs. BENTLEY. One other point I would like to make, Mr. Chairman, is about the comment that was made about the free enterprise system. I believe, if my memory serves me correctly, that the Japanese, for instance, on the ships they are using in the Japanese trade—correct me if I am wrong—require that those ships be built only in Japan?

Admiral SHEAR. I believe that is correct.

Mrs. BENTLEY. And so the business of the Jones Act is not parochial to the United States, it is an international rule that these countries have.

Thank you, Admiral.

Thank you, Mr. Chairman.

Mr. HERTEL. Mr. Chairman.

Mr. BIAGGI. Mr. Hertel.

Mr. HERTEL. Thank you, Mr. Chairman.

I just wanted to comment on what the gentlewoman from Maryland said. You gave me an example of Baltimore and the ocean trade. In the Great Lakes we have 25 percent of all fresh water in the entire world, yet we have had no overnight cruise ships of any consequence operating in the last two decades. Tourism is the number one industry in Michigan. It supersedes—surprising to most people—the automobile industry or agriculture industry.

The potential is far beyond even what we are doing now with our tourism. It is terrible that people can't have an opportunity to take a cruise on the Great Lakes and American people who can't afford their own boat can't get out on the lakes.

What we tried to do is stimulate that industry by very limited exceptions so we could show what the market is, so we have American people investing to build American ships to put them on the Great Lakes. I have a pile of mail in my office, people waiting to get tickets for one of these ships and people waiting to get jobs. The gentlewoman from Maryland mentioned why we need to have

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American-made ships—because of our need for military preparedness and the fact, as we see in everyday newspapers, that some of our allies could not be relied upon to agree with us on some of the most important policies.

In New Zealand, they won't allow naval ships in because they might be nuclear powered, and contain nuclear weapons. We can't leave ourselves this vulnerable anymore when our allies and friendly nations say they don't agree with us on something and leave us completely naked as far as supplying our troops and our forces in situations around the world.

So I guess I am joining with the gentlewoman to ask the administration to come up with a new policy, a real policy that will get us off the dime before we find ourselves in a terrible situation regarding the military posture of this country.

Mr. BIAGGI. Admiral, I had an opportunity to read Mr. Wells' statement as president of Venture Cruise Lines. He states "I believe there are shipyards in the United States that can compete with any yard in the world, both in price and quality."

Are you familiar with any one of those shipyards?

Admiral SHEAR. He has been dealing with several yards in the Gulf Coast and he has been talking about prices which are quite attractive. I would not want to be putting words in his mouth.

Mr. BIAGGI. He is putting the words in the Congressional Record by virtue of his statement.

Admiral SHEAR. I understand that. The amount that he has requested for title XI for the ships which he is building is a very competitive figure.

Mr. BIAGGI. He goes further when he talks about cruise labor costs of U.S.-flag operators. "In my view, consideration should be given to permitting a more open market approach to the hiring of shipboard personnel."

That conjures up in my mind a hiring of foreign personnel. He would like to also pay them at foreign wages.

Admiral SHEAR. I wouldn't interpret it that way at all. I certainly would not support anything like that. I think he may be talking about the hotel side of the ship—the passenger side of the ship. Perhaps hiring college students in the summer months. I am speaking in very general terms. I don't know precisely what he was referring to.

Mr. BIAGGI. Clearly, he is talking about the hotel side of the ship. Would you support his notion of hiring college students or foreign personnel to reduce the standard wage rates that are currently paid?

Admiral SHEAR. I wouldn't support going below realistic wage rates on the professional side of the ship. He has got to hire licensed and unlicensed mariners, the professionals. There is no way around that, and he has to pay them realistic wages.

Mr. BIAGGI. He does say licensed personnel would be paid on a comparable basis. But for cruise ship unlicensed personnel he would like more liberty.

Admiral SHEAR. The unlicensed personnel, the personnel he is referring to, I believe, are on the hotel side and—I just don't now what he is referring to.

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Mr. BIAGGI. Let's stay with the hotel side. What are your views on that?

Admiral SHEAR. You have to pay realistic wages to any American in the ship. I wouldn't expect any American to hire on for something which is a totally unrealistic wage.

Mr. BIAGGI. If there are yards that can produce quality, why haven't they been in the forefront doing a tremendous amount of business? Why haven't these entrepreneurs been doing business with them? You made a general response about some yards being able to compete with foreign shipyards. Do you know any offhand, specifically?

Admiral SHEAR. The yards?

Mr. BIAGGI. This is a revelation to me.

Admiral SHEAR. The yards he has been referring to are Gulf Coast yards, which have been involved in offshore supply work and tug and barge work and have the capability to expand into large ships of the type that he is proposing.

Mr. BIAGGI. They haven't had any experience in building cruise ships?

Admiral SHEAR. They have not had experience in building cruise ships.

Mr. BIAGGI. The question was raised about the amount of money that is spent in this industry. So far it is $5 billion on foreign cruises. Mrs. Bentley made references to the sealift potential of our Nation in time of war. I refer to Captain Robert Kesteloot's comment about the U.S. Navy, where he said, "The Navy would like to have as many passenger vessels as possible on all U.S. seacoasts. Naturally, we would be very pleased with a resurgence of U.S. passenger ship trade."

We have had, if I recall correctly, the former commander of the Sealift Command testify before one of our subcommittees here, about the inadequacies of the Sealift Command in time of war. So the point that the gentlelady from Maryland makes is very, very significant.

Admiral SHEAR. We work very closely with the Navy and we are in full cooperation and agreement on the sealift requirements. That is, among other things, why we are trying to regenerate our international fleet in the most rigorous possible way.

Mr. BIAGGI. Well, while I have you, this is another matter, but I would like to get your comment on Jack Anderson's column, in today's Washington Post. Did you see it?

[NOTE.—Article can be found at end of hearing].

Admiral SHEAR. I saw it this morning.

Mr. BIAGGI. About ship firms getting unintended tax breaks. Would you care to comment? Are you prepared at this point?

Admiral SHEAR. I will make a general comment. That subject has been reviewed by the inspector general of the Department of Transportation and by us for a number of months and I believe all the issues are essentially agreed upon. I won't go any further because I don't have the exact specifics. I have the people looking into it in detail this morning.

Mr. BIAGGI. When you have concluded your review would you be kind enough to——

Admiral SHEAR. I will provide an answer for the record.

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Thank you very much.

[The following was received for the record:]

U.S. DEPARTMENT OF TRANSPORTATION,
MARITIME ADMINISTRATION,
*Washington, DC, May 7, 1985.*

Hon. MARIO BIAGGI,
*Chairman, Subcommittee on Merchant Marine and Fisheries, House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: In the course of the hearing earlier today, you referred to this morning's column by Messrs. Jack Anderson and Joseph Spear which dealt with the Capital Construction Fund Program. I indicated that the Office of the Inspector General, Department of Transportation, in the course of regular audits, had questioned certain transactions, that a number of those questions had been resolved and that a few remained outstanding but were being worked on. I agreed to furnish a status report for the record.

It appears that the column resulted from two separate audit reports completed by the Inspector General. One report issued in August 1984 involved a single shipowner, and the other dated March 1985 addressed selected elements of program administration. Oftentimes an audit by the Inspector General's staff contains questions. Most of these are resolved at the staff level. Any items left open at that stage are pursued further by appropriate senior staff.

In connection with these specific audits, the Inspector General requested the advice of the Department's General Counsel because the identified items involved differing legal and policy interpretations under the statute. By way of example, one question is whether vessels built with fund deposits may assist ships in non-contiguous ports like Honolulu. Another example is whether foreign-to-foreign services are qualified operations under the statute. We expect counsel's detailed review to be completed within sixty days.

As soon as the staff process outlined above is completed, I will inform you of the outcome.

Sincerely,

H.E. SHEAR, *Maritime Administrator.*

Mrs. Bentley.

Mrs. BENTLEY. Yes, Mr. Chairman.

I recall two instances in the sixties, the Cuban missile crisis and the Vietnam buildup, when it was believed up to that point that everything was going to be able to be handled by air over at the Department of Defense and I recall when the pressures developed on the Cuban missile crisis, after they looked around, the first thing the Department of Defense said was call in our passenger ships and have them on standby because they were going to need them.

Then in the Vietnam war, 1965, when Secretary McNamara called for troops and said to his staff, OK, let's get the planes going and the airlift going, and his people looked at him literally—I know because I wrote about this then—and said, we cannot handle this by air, we need ships, and the ultimate figure showed 98 percent of everything that was taken to Vietnam was moved by ship.

Mr. BIAGGI. Thank you very much, Admiral.

Admiral SHEAR. Thank you.

Mr. BIAGGI. Our next panel is Robert Lambert, president, Cruise America Line; George A. Sotir. president, United States Cruises; J. Barry Snyder, president, Signet Corp.

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**STATEMENTS OF ROBERT L. LAMBERT, PRESIDENT, CRUISE AMERICA LINE; GEORGE A. SOTIR, PRESIDENT, UNITED STATES CRUISES; AND J. BARRY SNYDER, PRESIDENT, SIGNET CORP.**

Mr. LAMBERT. Thank you, Chairman Biaggi and members of the subcommittee, for providing Cruise America an opportunity to testify at this oversight hearing on the passenger cruise ship industry.

I commend you, Mr. Chairman, for holding this hearing and for our longstanding interest in developing the American passenger cruise ship industry.

Cruise America is a Florida corporation which was founded for the purpose of owning and operating cruise ships in the United States. For almost a decade, we have spent considerable time and expense exploring ways to enter the U.S. cruise trade. As most of you will remember, I appeared before this body almost 2 years ago to testify in favor of H.R. 2883, a bill which would have permitted two cruise ships, the *Princess* and *Countess*, to operate in the protected coastwise trade. Had this legislation been enacted, Cruise America would have purchased the two vessels, renovated them in U.S. yards, employed over 1,000 American seamen and, by now, would be operating the two ships along the U.S. coastline.

In fact, today the west coast ship would be arriving in Juneau from Sitka, headed tomorrow for Ketchikan, and the east coast ship would be arriving in Yorktown from Old Town Alexandria, heading tomorrow for Charleston.

But as you know, H.R. 2883 was not enacted. And despite all the talk we heard about the rebirth of the industry, the United States still has only two large cruise ships under its flag. None of the projects that were announced during the 98th Congress have come to fruition. To our knowledge, of the proposed new buildings in U.S. shipyards, no projects ever proceeded beyond the blueprint stage. And of the proposed renovation projects of older vessels, no progress has been made.

In other words, Mr. Chairman, this subcommittee is facing the same situation it faced 2 years ago. Foreign-flag ships—roughly 55 in number—continue to call at U.S. ports, picking up American vacationers, transporting them to foreign destinations, and then returning these passengers to the United States. The profits gained from American passengers continue to land in the pockets of foreigners—whether they be foreign operators, foreign ports, foreign shipyards or foreign crews.

Yet a healthy potential coastwise cruise trade is waiting to be developed. A recent study conducted by the Boston-based Harbridge House, a widely recognized expert in shipping and transportation matters, emphatically states:

> The U.S. deep-sea coastal cruise market is expected to grow dramatically if it is opened up using U.S.-flag ships that are fully competitive with the foreign-owned ships serving other markets. Assuming that service is introduced in 1984-85, anticipated passenger growth will support between 8 and 10 ships by the end of the decade.

Notwithstanding the potential market for a deep-sea coastal cruise industry, the Harbridge House study also set forth the problems that could be encountered by American entrepreneurs who wished to enter the market. In this regard, Harbridge House esti-

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mated the cost of constructing competitive U.S.-built cruise ships in 1987 dollars at $210 million for a 700–900 passenger 550-foot vessel; $219 million for a 1,000 to 1,200 passenger 660-foot ship; and $380 million for 1,300 to 1,500 passenger 770-foot ship.

The Harbridge House study further states that:

> A comparison of forecasted 1987 revenues with the debt service expenses of these ships, plus austere operating costs, indicates that revenues are insufficient to cover ship financing and other costs. While revenues increase over the period under consideration, they do not increase enough to cover costs.

I believe that the absence of any new construction or renovation of vessels over the last 2 years confirms the conclusions of the Harbridge House study.

But enough of the problem; I think this subcommittee understands it well. I understand that the purpose of this hearing is to discuss solutions to the problem, that is, to formulate proposals for encouraging the development of the U.S.-flag cruise industry. I am happy to give you my thoughts on this issue.

First, I would like to state for the record that Cruise America continues to seek legislative authority to operate in the coastwise trade. Our plans remain unchanged. Once reflagged, our ships would comply with all other provisions of the cabotage laws. Cruise America intends to operate one vessel along the west coast and Alaska and the other in the Great Lakes and along the gulf and east coasts.

To develop the U.S. cruise industry, I think the major lesson to be learned from recent history is that the large, luxury class, deep-water cruise ships cannot be constructed economically in the United States at this time. Our shipyards have no experience constructing a modern cruise ship, and the high costs of construction and financing here prevent our yards from competing with overseas shipyards where construction is heavily subsidized by foreign governments. The continued strength of the U.S. dollar makes building in American yards even more unlikely.

So, for the time being, the answer to the question of how to develop a cruise industry here lies in allowing vessels built or rebuilt overseas to operate in the U.S. coastwise trade. To promote the U.S.-flag cruise industry, legislation should be enacted which allows foreign built or rebuilt ships to reflag and obtain coastwise trading privileges so long as they comply with all other provisions of U.S. cabotage law. The number of vessels and period for reflagging should be limited, however, with a view toward a future time when U.S. yards will be able to competitively build cruise ships. In other words, any legislation should be viewed as a cruise industry promotional bill to help create a U.S.-flag industry.

Once the industry has been developed, Congress can review whether conditions in the U.S. shipbuilding industry and economy have changed. If at that time it appears unlikely that U.S. yards can have the capabilities to competitively construct U.S. vessels, then Congress can revisit the "build American" provision of the cabotage laws as it applies to passenger cruise vessels.

Regarding the provisions of a cruise ship promotional bill, Cruise America supports amending the cabotage law to grant coastwise trading privileges to foreign-built cruise ships. This, of course, is what H.R. 2883 would have accomplished. The authority for coast-

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wise operating privileges must be permanent rather than temporary in order to induce operators to make the significant investment involved in entering and developing a new market in the highly competitive and price sensitive North American cruise market. I believe that temporary operating authority would severely diminish the attractiveness of this investment and no operators would enter the trade.

Regarding the number of foreign-flag ships that should be permitted to reflag, the Harbridge House projection of 8- to 10-cruise ships by 1990 is a useful point of departure. The study based its projections on the introduction of a few ships in 1984, working up to the larger figure as the market developed at the end of the decade.

Given these figures and the desire to avoid market chaos by the introduction of too many vessels too quickly, I think it would be fair and reasonable to allow half this amount—that is four or five ships—to be reflagged in a "first wave" effort. This figure would allow room for the successful introduction of partially foreign-built vessels into the coastwise market.

Further, by limiting the number initially to four or five ships, an opportunity will exist for the remainder of the market to be served by any new American-built vessels if U.S. yards become competitive at some future time. If the domestic cruise ship construction situation remains unchanged, then in a few years, Congress could consider whether to allow a second wave of foreign-flag ships to operate in the coastwise trade.

In fairness, a limit should be imposed on the time permitted for these ships to apply for reflagging. The pioneers in the coastwise cruise trade will have to invest considerably in advertising and education to develop a market for cruises to American ports. This subcommittee heard testimony in Miami from three of the largest foreign-flag operators that the success of the coastwise cruise market is very uncertain. In order to induce and reward the pioneers who risk capital to develop this market, the opportunity to reflag should be limited to a period of up to 2 years. This period is consistent with earlier congressional action granting temporary waivers to the cabotage laws.

It would be unfair to keep the reflagging window open indefinitely to allow other operators to enter the market once the early entrants have done the hard work. I think 2 years would provide adequate time for potential operators to find a ship, arrange financing, consummate the transaction, and apply for coastwise authority.

Finally, should the market prove viable, closing the window after 2 years will give future operators the opportunity to build vessels in U.S. shipyards.

You requested comment on whether the law should be amended to allow a cruise ship to be partially built overseas yet retain its coastwise privileges. Cruise America believes that this proposal should be allowed as part of the cruise ship promotional bill. We recognize that such construction may take more than 2 years for completion and therefore should not be restricted to the same time frame for reflagging foreign-built vessels. Our only reservation to this proposal is that, at this time, a limited number of vessels should be allowed to operate under these terms. The cabotage laws

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should not be permanently changed to allow cruise ships to be partially built overseas yet operate in the coastwise trade.

Similarly, Cruise America does not oppose allowing U.S.-built cruise ships to be reconstructed overseas. However, some portion of the reconstruction work should be performed in U.S. yards. Since the vessels in this group have already benefited from legislation which granted them coastwise trading privileges on the pledge that reconstruction work be performed in U.S. yards, it is unfair to now allow them to have all reconstruction work performed overseas. I also think that a time limit should be imposed on when the construction must be completed.

Finally, I want to comment on the question of granting exclusive rights to operators to operate in specific geographic areas. Cruise America opposes this practice in principle because it unfairly disadvantages competing operators and discourages new operators from entering the trade. U.S. operators are already handicapped in competing with foreign-flag operators by higher labor costs, port fees, stevedoring rates, and a greater tax burden.

Granting geographic operating areas also sets a precedent that could lead to a coastline carved up with exclusive territories, leaving no room for new market entries.

This practice would also be detrimental to the cruise consumer and to U.S. ports. A cruise line operating free from competition would be under no pressure to keep prices down or maintain top quality service. Consumers desiring to cruise in the operator's exclusive geographic market area would have no choice between cruise itineraries, style of cruise, and type of vessel.

Also, restricting the number of ships operating in that area would limit the number of annual calls to the ports located in the exclusive territory.

For all of these reasons, reserving an exclusive geographic territory to one operator is not in the public interest.

In conclusion, I would like to reiterate some of the benefits of cruise ship legislation to this country. The expansion of the U.S. cruise industry would benefit several sectors of our ailing maritime industry. New and much needed jobs would be created for our merchant marine. The shipyards would benefit from the major work to bring foreign-flag ships into compliance with U.S. standards and the substantial repair and overhaul work, which cruise ships must undergo on an annual basis.

Our ports, many of which are undergoing their own revitalization, would profit from regular visits by large U.S.-flag vessels.

And finally, the addition of modern passenger vessels to our commercial fleet would accrue to the benefit of the military in times of national emergency. These vessels could be quickly converted for military sealift or dormitory use to supplement naval vessels during a sustained military conflict.

For all of these reasons, a legislative initiative to revitalize the cruise ship industry is both timely and necessary.

This concludes my prepared remarks, Mr. Chairman. Thank you again for the opportunity to testify today.

Mr. BIAGGI. Mr. Sotir.

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## STATEMENT OF GEORGE A. SOTIR

Mr. SOTIR. Good morning. My name is George A. Sotir. I am the president of United States Cruises, Inc., the owner of the SS *United States*. On behalf of Mr. Richard Hadley, the owner of USCI and my colleagues in the cruise industry, I welcome this opportunity to comment on the prospects and problems of the U.S. passenger shipping.

I am quite experienced in the cruise business. Prior to assuming the presidency of USCI, I was the president and chief executive officer of Sun Line Cruises for 2 years. Prior to that, I served as senior vice president of Royal Viking Lines for 12 years. And prior to that, I was director of marketing and planning for Matson Lines. So I think I know firsthand what the potential is for the U.S. cruise ship industry, and I hope I can offer some insights to you as to how the Congress can enhance its potential.

Members of the committee, I eagerly accepted the presidency of USCI and stewardship of the return to service of the SS *United States* because I am confident that a viable U.S. cruise industry is developing. This development, which I believe is well advanced, is a step in the evolution of U.S. passenger cruise ship industry. To be sure, the era of luxury ocean crossings serving a monied elite is finished. The jet plane, the pace of modern life, the enormous change in the identity of international travelers, and many other factors have eliminated the demand for year around ocean crossings by luxury liners. But the demand for ocean travel has not diminished. Cruising is a flourishing business. A new era for U.S passenger shipping is at hand.

The market demand for cruises is well documented. A casual review of the travel sections of our Sunday newspapers proves the point. USCI's marketing analyst, Temple, Barker & Sloane, Inc., advises that the annual number of cruise passengers increased 94 percent between 1978 and 1984. Between 1984 and 1988 a further increase of 27 percent is projected.

Most of the world cruise demand comes from U.S. travelers. In 1983, U.S. passengers accounted for $2.6 billion of the $3.5 billion worldwide cruise sales. There is tremendous potential for U.S. cruises. In 1984 35 million Americans took vactions for 7 days or longer wherein they stayed in a hotel or at a resort. In the same year only 1.7 million Americans took a cruise, representing 5 percent of this very real potential. American entrepreneurs, willing and able to operate within the fundamental tenets of U.S. maritime policy, are responding to this demand.

It cannot be denied that the U.S. passenger cruise ship industry's response to the decline in ocean liner international travel has lagged behind other nations. But the crucial fact is that an effective and genuine response has begun.

There are many reasons why U.S. reaction to the end of luxury liner travel in the 1950's and 1960's has been slow. One explanation often advanced is the percentage of operating and construction costs that must be devoted to labor for U.S.-flag operations. But what that says is that the United States has been far ahead of other nations in recognizing and advancing the rights of its work-

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ing men and women. In this, it is the others who have lagged behind.

Moreover, organized American labor shares with us the same strong commitment to revitalizing passenger shipping. We at USCI can state positively that we do not see the cost of labor in the United States as an incurable impediment to the revival of U.S. passenger shipping. Any legislation that you may consider that would be premised on an alleged noncompetitive cost of U.S. labor would be fundamentally flawed. It would also be an insult to our system of labor/management relations.

The real problem I believe is uncertainty of U.S. Government policy toward passenger shipping. This uncertainty is aggravated by piecemeal legislation that at best disrupts natural development and at worst is counterproductive.

Let me now be specific and report to you the status of the SS *United States*.

The SS *United States* is undergoing a complete renovation, the projected cost of which is about $160 million. We expect its maiden voyage as a cruise ship will bring the SS *United States* into New York Harbor July 4, 1987. Mr. Chairman, I hope you will be there to welcome her.

There were four steps in the conversion process that remained to be completed when Richard Hadley last testified before this subcommittee. The first was the design work. That is largely done. The ship will be splendid and will feature two new decks, all new luxury state rooms, six restaurants, outstanding physical fitness facilities, and many other major improvements. Our objective is to make the SS *United States* the best cruise ship in the world.

The second was a firm shipyard contract. That is done. The conversion work will be performed under the direction of Howaldtswerke-Deutsche Werft A.G. of Hamburg, West Germany. The contract with HDW was executed on September 29, 1984. HDW will completely reconstruct the ship's hotel facilities. Extensive hull and superstructure work will be done by the Alabama Dry Dock & Shipbuilding Corp. An agreement was reached with Alabama Dry Dock & Shipbuilding in April of 1985.

The third was financing. The debt financing of the project is being managed by Morgan Stanley, Inc. Most of it is in place. The key portion of the conversion financing is being guaranteed by Hermes, the West German Government's export credit insurance agency. Formal approval was received on January 6 of this year. This financing application was filed by HDW and approved December 18, 1984.

The first mortgage financing is being negotiated with three very large U.S. banking institutions. The outlook is favorable.

The final step is the equity financing. Some $36 million is in place. Approximately $28 million additional dollars will be required. This is also being managed by Morgan Stanley. It cannot be completed until the final terms of the U.S. bank financing are announced, which is imminent. Morgan Stanley reports that the equity placement looks good.

When conversion of the SS *United States* is completed, she will be the finest cruise ship in the world, carrying some 1,500 passen-

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gers. She will be an ultra deluxe vessel, unique in her facilities and operational capabilities.

The intinerary of the SS *United States* is still open. The ship will serve the west coast of the United States, Alaska, and Hawaii. But she regularly will travel through the Panama Canal to the east coast and often will cross the Atlantic.

USCI estimates a total crew for the SS *United States* of about 645. USCI has reached fair and reasonable agreements with the maritime labor unions as to crew costs and working conditions. Careful analysis of these agreements and USCI's innovative cost strategies indicate that the SS *United States* will be in a cost competitive position in the worldwide cruise market, even when compared with operators using so-called colonial crew members.

As an indication that USCI is convinced that it is in business to stay, I would note that including myself, USCI has recruited four top cruise industry professionals to form its startup management team. Each of us has over 20 years of experience in maritime and cruise management, and each has been in top executive positions with successful cruise lines in operation today.

USCI intends to build two additional luxury cruise ships of over 1,000 passengers each. These ships will be completely constructed in the United States.

Due to the controversy concerning the so-called Cunard bill that occupied much of this committee's time and attention last year, a great deal of skepticism and impatience has been expressed about the pace of the U.S. passenger ship revival. Anyone who has been on the front lines of the financing struggle can testify how deleterious the pendency of the Cunard legislation was to efforts to achieve the kind of financing necessary to complete a project like the SS *United States*.

The SS *United States* is not using title XI financing. It presents no risk to the U.S. taxpayer. But, like any worthwhile investment, it does entail risk to its private investors, including U.S. financial institutions. Investors are cautious. They become especially so when the Congress appears uncertain or irresolute.

Two years ago Congress legislated a special marketing advantage to Jones Act operators, namely, the $2,000-per-year-per-passenger personal income tax deduction for attendance at business meetings, seminars, or conventions on board Jones Act ships—as compared to unlimited personal tax deductions for attendance at business meetings, seminars, or conventions on land. Last year, however, the Congress almost gave the same advantage to a non-U.S. shipping conglomerate that did not build its ships in the United States. This year, there are proposals to eliminate the tax deduction and to open a window for foreign-built cruise ships.

The SS *United States* project is not a low-cost conversion, and the threat that it might have to share its market with artificially low cost competition was, and is, quite worrisome to our bankers and investors. Consider, for example, a potential investor in the SS *United States*. The project cost is well in excess of $200 million. Even with its unique efficiencies, the operating revenues of the ship necessarily must be sufficient to cover the amortization and interest of the debt financing. A proposal to grant a 2-year head start and an exclusive market to operators that have no construc-

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tion cost to amortize causes potential investors to wonder and worry. The anomalous aspect of this, of course, is that the congressional intent is to spur revival of the U.S. passenger cruise ship industry.

The economics and marketing positioning strategy of the SS *United States* is well documented and has been very well received by its reviewers. USCI has done all it can to shape a very attractive investment that can lead the U.S. passenger ship revival. But all USCI could do about the proposed Cunard legislation was to disclose it and oppose it. And that disclosure caused no end of consternation and measurably slowed the pace of the reconversion project.

In recent years the Congress has done much to assist the revival of U.S. passenger shipping. The investment tax credit and accelerated cost recovery measures are tremendous incentives to domestic shipbuilding. The above discussed restoration of the limited personal income tax deduction to attendees at business meetings on board Jones Act ships is a fantastic market-creating step.

Incidentally, to indicate the value of this tax deduction, note that the Wall Street Journal on August 16, 1984 reported that Norwegian Caribbean Lines attributed a loss of 20 percent of its business in 1983 due to the lack of tax deductibility for its cruises. Similarly, Carnival Cruises reports it lost $25 million in business as a direct result of the change in the tax laws. And there could be no better indication that the tax deduction is valuable than the desire of foreign-flag operators to enter the U.S. market by legislative waiver.

Other important factors causing a U.S. passenger shipping revival are the reasonableness of the U.S. maritime labor unions, as demonstrated by USCI's agreements, and the skills and competitiveness of U.S. shipyards.

I suggest to you that the controversy engendered last year stands for the proposition that there is strong U.S. maritime interest in passenger shipping. The argument last year was about means, not ends. Thus, USCI recommends that we should let development occur naturally and avoid legislating changes. All the necessary means are in place. As the old saying goes, "If it ain't broke, don't fix it."

Two final points:

First, it has been suggested that a comprehensive and objective study of U.S. passenger shipping should be commissioned. Such a study could separate fact from hope and could examine in an orderly and systematic way each of the fundamental principles and assumptions underlying U.S. shipping policy. We endorse this study.

Hopefully, a comprehensive review would end the threat of harmful piecemeal legislative approaches—the premises and predicates for which are unproven and ill conceived. Such a comprehensive study could begin at once and could be completed in about a year or so. It could and should include a thorough reconsideration of the Jones Act and all that that statute has come to represent.

Second, while USCI suggests that there be no passenger shipping legislation, we urge attention to the problems of U.S. construction financing. The primary reason the SS *United States* is being refurbished in West Germany is the availability of very attractive financing guaranteed by the Federal Republic of Germany. The cost of the work at HDW is not less than the cost that would be in-

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curred in the United States. We do not anticipate that the quality of the work will be superior. So too, the facilities at HDW are not superior to facilities in the United States. Indeed, based on our experience, U.S. shipyards are fully cost- and quality-competitive with European shipyards. That is why we do not seek legislation that would permit foreign building.

In sum, we urge the Congress to let the good it has done and the natural forces of free enterprise work their way.

Thank you.

Mr. BIAGGI. Mr. Snyder.

## STATEMENT OF J. BARRY SNYDER

Mr. SNYDER. Good morning, Mr. Chairman.

My name is Barry Snyder, and I am the president of Signet Corp. Thank you for inviting me to testify here today on behalf of Signet.

Signet Corp., is incorporated in Delaware with its principal place of business and main headquarters in Houston, TX. Signet Corp. has three operating subsidiaries, namely Signet Marine Group, Inc., which includes Bulkfleet Marine, Ocean Transportation Services, and Ship Management Services; Signet Travel Group, which includes Harvey Travel offices and Signet Cruise Lines; and Signet Real Estate and Development Co.

Bulkfleet is primarily involved in the transportation of oil with integrated tug/barge units in the coastwise trade. Ocean Transportation Services is primarily involved in the tug/barge movement of general cargo between the United States and South America. Harvey Travel is the oldest travel service in Houston, TX, arranging air and sea travel worldwide with special emphasis in cruise vacationing. Bulkfleet Marine, Ocean Transportation Services, and Harvey Travel are all profitable operating companies.

Signet Cruise Lines, the company that I am here to talk about today, was specifically planned, organized, and put into operation to take advantage of our marine and travel professional expertise. While it is still a long way from being a company with equipment in the water, and even further from being a profitable company, we have achieved much in 2 years, not without some wheel spinning and backtracking, but we are now on a steady course.

I started over 2 years ago looking into the possibility of building and operating a U.S.-flag cruise ship. As you are aware, we were at one point associated with an ill-fated cruise project, a relationship which has long since been severed. I recouped my investment in that project and have been developing the cruise ship concept within my own organization. I have no other partners and no other investors. Signet Cruise Lines is a wholly owned subsidiary of Signet Corp., of which I am the sole owner.

In reviewing the cruise market to determine where there might be possibilities for a U.S.-flag operation, two things quickly became apparent. First, U.S. citizens, who comprise almost 80 percent of the cruise ship passengers in the world and account for more than $4 billion of cruise vacation expenditures, are very sophisticated in their taste in cruise ships. In order to compete in this trade, it will be absolutely necessary to build a first-class, four-star cruise ship. Second, in order to build a Signet-type vessel in a U.S. shipyard,

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the cost would be in the neighborhood of $200 million, a cost that could not possibly permit profitable operations.

Thus, we looked for:

First, a niche in the market that would permit us to operate at a reasonable price without having to compete with the foreign-flag vessels;

Second, a unique vessel, unavailable in present cruising service;

Third, a way to reduce the cost of the ship without detracting from the quality of the ship; and

Fourth, a vessel registry with flexibility to operate in both the domestic and foreign trades at competitive prices.

We have identified a niche in the market in which two 800 to 1,000 passenger cruise ships with car-carrying capability for 250 vehicles could be operated on a commercially viable basis. The trade involves operation in the Gulf of Mexico between Houston and New Orleans on the one hand and Tampa on the other during a significant portion of the year and operations between those points and the Caribbean for certain other months of the year.

We have signed contracts with Wartsila Shipbuilding Co., of Finland to design the vessel and plan ways to reduce its cost. Wartsila has built and delivered one-third of all cruise ships to all present owners in the world. In fact, Wartsila has been able to identify a way to reduce the cost while, at the same time, preserving the quality that is essential. The concept is to build the hull and superstructure and outfit the engineering spaces of the vessel in a U.S. shipyard, and then to move the vessel to the Wartsila facility in Finland to outfit the passenger spaces. This procedure will allow us to reduce the price of the vessel by almost $50 million.

This concept was also attractive because, in our opinion, no U.S. shipyard presently has the experience required to do the high quality outfitting demanded by Signet for the passenger spaces of a cruise ship. This is not a criticism of U.S. shipbuilders. It is merely a recognition of the fact that no cruise ships have been built in the United States for over 20 years. This would also have been by far the most expensive work to have been accomplished in the U.S. shipyard.

In moving the vessel to Wartsila's Helsinki, Finland yard for this work, we would realize the advantage of their years of experience in doing this work and, at the same time, eliminate the highest cost category of outfitting work from the U.S. shipyard. In addition, Wartsila has agreed to provide technical assistance in their modern, modularized methods of cruise vessel construction to the U.S. shipyard that would be the hull and superstructure construction and machinery outfitting. Thus, the project would provide a significant amount of work to the U.S. shipyard which I estimate to be 60 to 70 percent by value of the vessel construction, and would provide the shipyard with access to the most modern shipbuilding technology for construction of cruise ships.

However, nothing in this industry is simple. We quickly identified that there would be a problem with obtaining coastwise documentation for vessels built in this manner. At first, we believed that there was an opportunity to obtain the necessary approvals administratively through the Coast Guard. Both the documentation laws—in referring to vessels built in the United States—and 46

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United States Code section 289—which prohibits the movement of passengers between U.S. ports on foreign vessels—appear to have enough flexibility to permit some foreign construction to be completed on a vessel that could qualify for coastwise documentation.

Our optimism was enhanced when we found that an existing U.S.-flag vessel could undergo significant modification in an overseas shipyard and retain its coastwise privileges. The work that we proposed to do in Wartsila is actually less than could be done under existing U.S. law if we were to purchase a used vessel with coastwise privileges and modify it overseas.

However, after a number of months of working with the Maritime Administration and the Coast Guard, it became evident that the administrative interpretations placed on these laws since the 1800's by the Bureau of Customs and the Coast Guard have provided very rigid requirements for deciding whether a newly constructed vessel qualifies for coastwise privileges. The essence of these rulings is set forth in current Coast Guard regulations, which require that a vessel's hull and superstructure be fabricated in the United States and that the vessel be assembled entirely in the United States in order to qualify for coastwise privileges.

While sympathetic to our problem, the Coast Guard feels constrained by these interpretations. The Coast Guard is of the opinion that any deviation from these regulations, without legislation, would almost certainly lead to litigation that would result in vessels, constructed as we propose, losing their coastwise privileges.

Thus, we are faced with a dilemma in pursuing our project. We have already completed a significant amount of development work on this project. Our only missing link is that we must have legislative help in order to pursue this project.

We have identified a niche in the market.

We have, at significant expense, had Wartsila complete the design package for vessels uniquely suited to this market. We have reviewed this package and submitted it to several shipyards for preliminary price indications.

As I previously mentioned, last year Signet acquired two Houston-based travel and tour companies with significant experience in the cruise industry to gain the necessary experience in the cruise ship clientele to make our project successful. By the time our vessels are delivered in 1988, our travel group will have over 40 years of experience in booking cruises for U.S. passengers from the Southwest and Midwest areas of the United States, our specific market niche.

We have completed a preliminary market feasibility study to identify the size of the tourism and leisure market that would be available to a cruise ship operated out of the ports of Houston and New Orleans going to the Tampa area and the Caribbean. The size of the middle Florida/Orlando tourism market alone has been identified as approximately 29 million people a year, of which about 1½ million are from our market segment. We would need only a small fraction to keep our vessels fully booked. We are now in the process of commissioning a final major marketing study to ensure the economic viability of this project before we proceed. This final marketing study should be completed within the next 2 or 3 months.

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Our financial advisors have extensively studied projections on the project. With a vessel cost of approximately $150 million, we can offer cruises at very competitive rates. In addition, both Wartsila and one other U.S. shipbuilding company have completed their own independent analyses of our financial projections. In both cases their financial projections were more favorable than our own conservative projections.

Significant interest has been shown in financial participation in the project. It is our current plan to seek title XI financing for approximately 50 percent of the value of the vessels and to arrange equity financing for the remaining 50 percent of the vessels.

After considerable research and discussion with major cruise ship operators and shipyards in the United States and overseas, I have concluded that there is no way that a cruise ship can be constructed entirely in the United States at the present time and be competitive on either a quality or price basis.

There is an opportunity for U.S.-flag cruise ships to operate in the United States to the benefit of both the U.S. tax base and the U.S. shipbuilders. But this must of necessity require some temporary relaxation of the rules with respect to the construction of cruise vessels that would qualify for coastwise trading privileges.

Existing U.S. vessels qualifying for coastwise trading privileges can undergo substantial modification and rebuilding in a foreign shipyard without losing their coastwise trading privileges.

What we are seeking from this committee and the Congress is authority to do the same type of work on a new cruise vessel that would qualify for coastwise privileges. The necessary legislative change could be made to 46 United States Code section 289 in such a way that it would neither interfer with the Jones Act as it applies to other types of vessels nor have any impact on the ongoing proposed studies of the Jones Act.

The project has a number of benefits to both the United States and the shipbuilding community and, of course, to Signet Corp. It would provide over $220 million of construction work for a U.S. shipyard, a large number of seagoing and nonseagoing jobs for U.S. citizens, and significant tax revenues over and above that which the foreign cruise ships generate for the U.S. economy.

In addition, although I must say that this is my own view at this point, the vessels will have significant national defense utility. The Defense Department has expressed interest in having passenger vessels under the U.S. flag and in having roll-on/roll-off capability in the U.S. fleet. The latter has been clearly demonstrated in the recent acquisition by the Defense Department of foreign-built ro/ro vessels.

We have had some preliminary discussions with the Military Sealift Command and the Department of the Navy about our project. While they have expressed interest in the project, I am not in a position to indicate at this point that they have expressed support for the project.

The proposal that I have set forth here today addresses directly only one of the questions that you proposed in your letter inviting me to testify here today, although indirectly it clearly has implications with respect to the other questions. It is clear that the Signet

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Cruise vessels could not compete on a head-to-head basis with foreign-built cruise vessels.

There have been a number of proposals to reflag existing foreign-flag vessels or permit vessels to be constructed overseas and operated in the coastwise trade. If the reflagging of some foreign-built cruise vessels is to be permitted, it must be designed not to disadvantage cruise ships built wholly or substantially in U.S. shipyards.

It is a simple matter of economics. We know the cost of building vessels in the United States is in the neighborhood of double that of building them overseas. We have proposed a project that will reduce this disparity by over 25 percent, but there is no way that we can make up the remaining differential that would be necessary for us to compete head-to-head with foreign-built vessels.

Finally, another matter of concern to our project is the changes to the tax laws that are presently under discussion. First, there are a number of proposals presently being considered to modify the rules with respect to investment tax credit and ACRS depreciation. Significant reduction of the benefits of either of these tax items that would affect the Signet Cruise vessels would have a serious impact on their economic viability.

Second, there is a proposal to delete the provision permitting corporations and individuals to take a tax deduction for attending legitimate business conventions aboard U.S.-flag cruise ships. This change would have a serious adverse impact on the profitablity of the Signet Cruise vessels.

This is clearly a case where these proposed changes in the tax laws could result in a project not going forward that would, over the life of the vessels, provide a favorable economic impact that far exceeds the amount of the tax benefits associated with the project.

The project will result in a large number of new jobs for U.S. citizens, both onboard the vessels and ashore. It will spur some redevelopment of the Houston, New Orleans, and Tampa waterfronts, and it will generate approximately $150 million of revenues that are subject to U.S. tax.

I know this issue is not directly within this committee's mandate, but I did think it appropriate to raise it, since it would have a major impact on this project, not to mention the entire maritime industry.

In conclusion, Mr. Chairman, let me thank you again for the invitation to appear before you to testify today. I believe that we have a project that is economically viable and of significant interest to the United States. We have done our homework. We are prepared to move forward expeditiously with the construction of these vessels.

However, we cannot move without the help of Congress in providing some legislative dispensation to permit us to pursue the project as I have outlined it for you today.

Let me assure you that we seek legislative help only as a last resort. We have attempted to build competitive vessels within the requirements of existing law and we have sought the requisite changes administratively through the Maritime Administration and the Coast Guard.

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It is only now, after 2 years, and over $1 million of Signet Corp. expense, that we approach the committee for assistance in putting the final building block in place for this project.

I look forward to working with you, Mr. Chairman, and with this committee over the coming months, and seek your support for our project and the requisite legislation.

Mr. BIAGGI. Thank you, Mr. Snyder.

In relation to your comments on page 9 regarding tax credit and depreciation, we are just as much in the dark on that as you are because of the whole process underway with tax reform. I don't know if that will be dealt with; we recognize how critical it is.

Admiral Shear and I have had some discussions about what Mr. Wells of the Adventure Cruise stated regarding the shipyards in which he can build competitively against foreign shipyards. That seems to fly in the face of what you have said; at least about your efforts to justify having work done overseas.

Let me put the question to you most pointedly. Could you build a ship entirely in the United States and still operate profitabily?

Mr. SNYDER. No, sir. I do not believe you could. As you know, Congressman, we have existing vessels that we built totally in the United States and are funded with title XI funds, and I must say they operate extremely well. We are very satisfied with them. But if we were to try to compete, sir, because of the expensive price that we pay, we would not be able to compete in the foreign trade against foreign-flag-built vessels.

Mr. BIAGGI. Well, that has been the understanding of this committee for any number of years, and because of that we haven't had any new ships built. Out of the blue comes a whole new concept and estimates and they seem to be reinforced in some part by Admiral Shear. I am a little dubious about that whole proposition; yet it requires further review in order to see whether it is an accurate statement.

If that is accurate then your proposal to build partially overseas would have to be discounted. From my experience the proposal makes some degree of sense.

Mr. SNYDER. Thank you.

Mr. BIAGGI. Mr. Sotir, with relation to Mr. Hadley, I have felt, and I have said it time and time again, the government and various agencies have not treated him as well as they might have. I have always been sympathic to the situation with relation to the SS *United States*. I am hopeful that we are closer to real legislation today than we were in 1983, when Mr. Hadley said:

> We are getting bids this month. I expect that before the end of this year the SS *United States* will be in the yard and be underaway in conversion, and 15 or 16 months thereafter we propose to enter New York Harbor, like they did in 1952 with the ticker tape and the whistles blowing.

People testify, and I think they testify in good faith. There might be any number of difficulties that intervene. But we have not seen anything materialize, and we haven't seen time and events sustain the statements they made initially.

On page 14 of your statement you said U.S. shipyards are fully cost-and quality-competitive with European shipyards.

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Again, that question comes up. You seem to be sustaining Mr. Wells and Admiral Shear in contradiction to Mr. Snyder's, and to our own universal, belief. Would you care to comment on that?

Mr. SOTIR. All I can say is during our negotiations in attempting to get the Jones Act work construction accomplished here in the United States, we were tremendously impressed with several of the yards; in particular, with the Alabama shipyard who is going to undertake the hull and superstructure construction for the SS *United States.*

And, once we got that issue resolved, we then started discussions about the next phase of our operation where we know that we cannot sustain a viable, profitable cruise operation with only one ship the marketplace. So we knew we were going to go to second and third ships, and discussions with the Alabama yard and others have led us to feel very confident with title XI funding that we could construct from stem to stern ships in the United States that would be competitive in the marketplace.

I think you have to understand that Mr. Hadley is an entrepreneur. He has been extremely successful in building large office buildings, opening and operating hotels, as well as shopping plazas. And now he is venturing into the cruise industry, and everything that he has touched has been very successful. And there isn't any reason to doubt that with his dynamic forcefulness, and the fact that he is has gone out and employed what we considered to be top professionals within the industry, that we are going to make this a very viable and profitable project.

Mr. BIAGGI. What you believe then is there is a substantial market out there?

Mr. SOTIR. Exactly as I indicated to you. There are roughly 35 million people out there who have taken 1 week vacations, utilizing a hotel or resort, yet the cruise industry has only tapped about 1.7 million of these, representing 5 percent of this vast potential. And we feel confident that the U.S. industry would be missing a sure bet if we don't follow suit and begin to capture our share of that potential.

Mr. BIAGGI. Well, you are saying what we have been saying for sometime.

Mr. SOTIR. Exactly.

Mr. BIAGGI. And, clearly, with the advent of the two Cunard vessels we were talking about, that would have been the beginning of revitalization of the whole industry. Your observations and your figures are pretty much what we have said because the two vessels would only be the vangard of many other vessels to come on stream. So, we feel strongly about that.

Mr. Snyder.

Mr. SOTIR. If I can add one comment. One thing we want to be careful about is to make certain that we do not impede any further involvement on the part of the American entreprenuer in the cruise industry.

I think if we start working or permitting foreign vessels to reflag United States, I think there isn't any question there would be some doubts in the financial community as to viability of investing in U.S.-flag involvement.

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Mr. BIAGGI. Well, you heard Admiral Shear say it would have to be done on a case-by-case basis.

Mr. SOTIR. Exactly.

Mr. BIAGGI. I can understand your position; you have an American ship and you would like to have it locked up pretty well. I understand that.

You made reference to the arrangements with the union. That is a very strong bone of contention because, frankly, the merits had nothing to do with the experience with the Cunard vessels. The merits were there in abundance. It was a strong conflict with the unions.

Mr. SOTIR. All I can say——

Mr. BIAGGI. Did you resolve that?

Mr. SOTIR. I have to admit that I just joined Richard Hadley in this project, in early April. I do note shortly prior to my joining that he had reached what he considered outstanding relations and agreements with the various unions starting with the Masters, Mates and Pilots, Marine Engineers & Sailors Union. So when he elaborated in detail just what had been accomplished, all of us in the management team were shaking our heads because having been associated with corporations who deal directly with Norwegian unions and with Greek unions, I can tell you that these negotiations are as fine, if not better, in many respects for cruise operators.

Mr. BIAGGI. What you are telling us is that we should expect no problem, no resistance from the labor unions?

Mr. SOTIR. On the contrary, full cooperation.

Mr. BIAGGI. I will tell you, that is no mean achievement.

Mr. Snyder, you made reference to funding, that you only asked for 50 percent under title XI; why only 50 percent?

Mr. SNYDER. I think, Congressman, that in the past years American-flag operators have been too relient on heavily leveraged opportunities that title XI provides them, and in this case I don't believe that is going to work. It is my opinion that the equity debt split of 50–50 on American-flag ships that costs, as we are taking it, the debt cannot exceed 50 percent at the title XI rates. If you are looking for 20-year funding at 12 to 13 percent, the interest and principle expenses for a project are supported for profitable bottom line only by 50 percent debt not in excess of that, the rest of that has to come in equity.

Certainly, that is where the tax benefits are very, very important to the success of the project.

Mr. BIAGGI. I make the point because just last week I spoke to Admiral Shear about the condition of title XI and the fact that MarAd granted approvals up to 87 percent, which is the limit. I think the percentage that would be approved should be based on risk factor, and I am encouraged by your approach. Your approach is motivated by different reasons, but, nevertheless, title XI has its problems: 50 percent is more likely to be approved than 87 percent.

Mr. Sotir, you say that the domestic cruise industry, "Ain't broke." Even with CDS and tax deductions we have seen no ships built over a 30-year period, something is wrong someplace. Are you telling me that everything is in good shape? Don't fix it?

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Mr. SOTIR. No; I am not saying everything is in good shape. I think what I am saying to you is that you have got to go back 30 years, and you have to understand that the American cruise operators were, let's say, did not enjoy profitable years back in those days. A great many of those corporations were then operated by, what I would call, freight-dominated management, and the passenger operations were purely secondary. All the negotiations that took place back 30 years ago really revolved around the freight interest and cargo interests and not the passenger side of it.

So, people running shipping lines back in those days, viewed the passenger operation almost like a stepchild. So these people got rid of them, got out of the business, and concentrated on their principal interest which was freight. Then obviously, with the advent of the jet in the late-1950's and 1960's, that pretty much wiped out the industry, and that is all fresh in their mind.

What happened, of course, in the 1970's, there has been a revitilization of the cruise industry starting with the Norwegians and, consequently, it is now back to a very viable industry. And I think it would be a dramatic mistake if U.S. entreprenuers turned their back on what is now an industry that offers a tremendous amount of potential.

Mr. BIAGGI. Tell me, Mr. Snyder, what would be the projected date of operation?

Mr. SNYDER. We don't anticipate the first vessel in the water until 1988, probably the last quarter of 1988, Congressman. I would believe the next one would follow 6 months beyond that.

Because of the nature of building the majority here, moving overseas, for the first one, following with the second one and moving overseas, there is going to be one 80 days between the two vessel deliveries.

At the present time the information we submitted to MarAd indicated a preliminary construction commencement at the end of this year, and allowing 3 years for full construction between the two shipyards.

Mr. BIAGGI. Mr. Sotir, what about the *United States*?

Mr. SOTIR. The *United States* we hope to have in service in the summer of 1987; July 4th, actually, is the date that we are targeting and scheduling for.

Mr. BIAGGI. Mr. Lambert, if you obtain the needed authorization, when will you be operational?

Mr. LAMBERT. Mr. Chairman, we would anticipate being in operation within a 1-year period from the date of the passage of enabling legislation.

Mr. BIAGGI. Mr. Sotir, you are suggesting a study of U.S. passenger shipping. If the study were commissioned, what kind of information do you think would be significant?

Mr. SOTIR. I think the basic point that we are trying to make is that we are satisfied with the policies as they exist today. On the other hand, we recognize——

Mr. BIAGGI. What policy?

Mr. SOTIR. Jones Act, the tax policy, the one area that we feel could be in question would be the funding; but the point that I am trying to make is that we are happy with things as they are as status quo.

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On the other hand, rather than introduce legislation on a piecemeal basis, we would suggest stepping backward and take a look at the entire maritime policy and then take it from there. That study may take 6 months to 1½ year. We don't know. In the meantime, we would like to move forward on the basis of what is in existence today.

Mr. BIAGGI. Do we need a study to tell us we only have 2 ocean-going ships while the foreign operators have 50 or more?

Mr. SOTIR. Conceivably, the Congress might wish to know why there aren't more.

Mr. BIAGGI. I think we can tell them. We have been telling that story for a long time.

Mr. Lambert, I think if you talk to Mr. Hadley and have him reveal the secrets of his ability to reconcile the major unions, it would be helpful to our cause.

We are joined today by a Member of the House who is not a member of this committee, Mr. Callahan, from Alabama, and he has some interests in what Mr. Sotir has to say.

If you have any questions Mr. Callahan?

Mr. CALLAHAN. Thank you, Mr. Chairman, for permitting me to sit with you.

While I am not blessed to be a member of your distinguished subcommittee, I am blessed to be a member of the Merchant Marine and Fisheries Committee, thus will see later on, maybe on this subject, maybe not.

Mr. Sotir, what obstacles may exist to the finalization of plans for the two new luxury liners that you mentioned in your statement that conceivably could be constructed by the Alabama Drydock & Shipbuilding Co., in Mobile? What are the funding requirements, and what are the major stumbling blocks?

Mr. SOTIR. You have got to understand that all of this was developed within the last 45 days, as a result of our discussions with the Alabama yard, and the fact that we came to full realization that yard could very well be in a position to construct these two vessels for us.

We are in the middle now of preparing our business plans, utimlately determining the size of the vessel—which, incidently, will be approximately a 1,000-bed vessel—and we have full confidence that yard can construct these vessels. The question is title XI funding? And that is an area Mr. Hadley is now concentrating on.

Mr. CALLAHAN. So, if I am right, then the major stumbling block is not profit, it is not cost, it is not quality of workmanship, but funding arrangements that are with competitive funding arrangements. Conceivably, Alabama Drydock & Shipbuilding could be awarded the construction contract which would create favorable economic benefits not only for the First Congressional District of Alabama, but for America as well?

Mr. SOTIR. Absolutely right.

Mr. CALLAHAN. Thank you. I hope that ultimately your thoughts and hopes come to fruition, and that these ships are built in Mobile.

Mr. Snyder, I might suggest that you check the Alabama Drydock & Shipbuilding Co., in Mobile for competitive prices. Thank you.

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Mr. SNYDER. I will do that.

Mr. BIAGGI. Mr. Fields.

Mr. FIELDS. Thank you for your indulgence in yielding to Mr. Callahan first.

I wonder if the panel could share with this subcommittee their background and experience in the passenger cruise business.

Mr. Snyder, we will start with you.

Mr. SNYDER. How far back would you like to go. I must tell you one of the most measurable times I ever had in my young life was when I was a cadet at the Merchant Marine Academy at Kings Point assigned to the SS *Atlantic*, which is no longer around. She was a passenger ship back in the 1960's and that was my introduction.

My passenger ship expertise has been one of training when I was schooled at the academy, at the Federal academy, and in the past several years of actually operating travel and tour companies which we own and shipping a tremendous amount of people out of the southwest on to cruises primarily out of Miami and California. The expertise technology had been developed in the past 2 years in negotiating the contracts with Wartsila and with other U.S. shipbuilders negotiations that have been carried on.

Our company does not operate, as you know, any U.S.-flag or foreign cruise ships. All we do is put people on them, and we are doing about $20 million in travel business a year, of which about 25 percent is actually selling cruises.

Mr. Fields. Mr. Lambert.

Mr. LAMBERT. Mr. Fields, in the past hearings and so forth, we have presented to this committee information on the experience and background of the various parties involved in our company. We would be happy to do so for the record again. As to myself, like Mr. Hadley, my basic business is that of entreprenuer.

My background is in commercial banking, mortgage lending, real estate development, as well as the travel business. We founded and operated for some years a major travel agency in our area. We also operate today two small passenger vessels and in addition, other associates are involved in the Jones Act trade operating bulk carriers.

[Information is in the subcommittee files.]

Mr. FIELDS. Mr. Sotir, among my aides and myself we discussed whether we are pronouncing your last name correctly.

Mr. SOTIR. I started in this industry back in 1952 with Matson Line, which ultimately owned four ships operating them off the west coast to Hawaii and the South Pacific. In addition, they owned four hotels.

I was involved in a variety of aspects in management from finance, to sales, to marketing, through operations, and I worked for them for about 19 years before I moved on to Royal Viking Lines where I became the senior vice-president of marketing, and I was one of two people that was in the startup situation for that company.

As a matter of fact, it was unnamed when we joined it. We were purely working off of a set of deck plans. I helped establish Royal Viking Lines as one of the leading cruise lines within the industry for a period of 12 years, and then left them in 1983 and joined Sun

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Line, a Greek-owned company in which Marriot hotels has a very substantial minority interest. And I worked for them for 2½ years as the president and chief executive officer before joining Richard Hadley in this project.

Mr. FIELDS. Mr. Lambert, who commissioned and paid for the Harbridge House study?

Mr. LAMBERT. We did not.

Mr. FIELDS. Who commissioned and paid for it?

Mr. LAMBERT. Who commissioned and paid for it? I can tell you that we did not. I am not fully aware of the background of this study.

Mr. FIELDS. You are not aware who commissioned and paid for it?

Mr. LAMBERT. No, sir.

Mr. FIELDS. It is my understanding that it is the same union which strongly supports the reflagging of the Cunard vessels.

Mr. LAMBERT. That well could be, but I have no firsthand knowledge of that. The only firsthand knowledge that I have of the study is that I have read it and we were consulted in the making up the study.

Mr. FIELDS. You were consulted by Harbridge House?

Mr. LAMBERT. That is true. That is correct.

Mr. FIELDS. Who are they?

Mr. LAMBERT. Who are they?

Mr. FIELDS. Yes.

Mr. LAMBERT. As far as I know they are a Boston-based company that is engaged in the business of doing studies, principally in the maritime field.

Mr. FIELDS. Mr. Snyder, I want to ask you about your response to Mr. Biaggi's first question concerning building ships in American yards on June 23, 1983. You responded to a question that I had propounded to, and your answer, was, I quote:

> There is no doubt in my mind, either financially or in terms of constructive capability, that these vessels can be delivered from U.S. yards, and they can be delivered on time, and it will not take anywhere near the amounts of time that we have heard presented to us this morning.

So you have had a change of thought; change of philosophy?

Mr. SNYDER. You will forgive me, Congressman, but I didn't understand Congressman Biaggi having asked me the amount of time, the question. I do recall my testimony, and I believe that there was a 3-year or so building period.

Mr. FIELDS. Well, you can build in American yards, if I understand your response to Chairman Biaggi's question, it seems there is a contradiction as to what you are telling this subcommittee today and what you said on June 23, 1983.

Mr. SNYDER. Well, if you wouldn't mind clarifying for me what it is that you are asking, I will be happy to answer the questions. I don't quite follow.

Mr. FIELDS. Let me read what you said, what you testified on June 23, 1983. I guess the question I asked you is whether or not you stand with that statement. You said, "There is no doubt in my mind, either financially or in terms of constructive capability, that these vessels"—at that time you were in an arrangement—"that these vessels can be delivered from U.S. yards, and they can be de-

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livered on time, and it will not take anywhere near the amounts of time that we have heard presented to us this morning."

Mr. SNYDER. Yes, I specifically recall that that was in answer to a question as to whether the vessels could be built for what the individual who was testifying at that time had indicated the price would be.

And if they could be built within the time that he indicated, they could be, as opposed to the question that, I believe, had come from the subcommittee as to the requirement for additional time over and above what he had testified. And I believe that my testimony related, yes, the vessels could be built for that amount of money he indicated, and that they could be built in the time period that they had indicated. To the best of my recollection I would have to stand on that.

Mr. FIELDS. The thrust of my questions, at that time, was whether ships could be built in American yards, and if I understand your answer, in 1983 you were saying, yes, you could build ships in American yards in terms of finance and also in terms of constructive capability. And are you deviating from that?

Mr. SNYDER. No; I certainly believe, Congressman, that we can build American ships. There is no doubt in my mind I have built American ships in American shipyards, and I am competitive with, I think, that that concept, at that time, for that class of vessels, as opposed to the class of vessel that we are talking about competing in the current marketplace that we are going to be working. That vessel, at that time, could have been built for that price.

There is no doubt in my mind. It was not built, as you know, but I believe it had to do with financing problems.

It is my opinion that, yes, they could have been built in the United States for that amount of dollars, they could have been built on time. I do believe that is seriously possible.

For my project that I am testifying about today, which is a total departure from where we were 3 years ago, or 2 years ago, then my testimony today is applicable to what I say today, I believe.

Mr. FIELDS. On page 2 of your testimony you said that at one point you were associated with an ill-fated cruise project. Did you ever receive pressure, overt or subtle, to pull out of that previous arrangement?

Mr. SNYDER. Did I ever receive pressure? No; I don't think I received pressure from anybody to pull out. I determined that it was not a well-founded venture for me personally to be involved with, and I withdrew from it voluntarily and took the necessary steps to get back the invested dollars I had in the project.

Mr. FIELDS. Let me clarify then, because you don't think you received pressure, you didn't receive pressure from any group, any investment, or any business associate to pull out of the arrangement?

Mr. SNYDER. Let me clarify there; there were probably some discussions that entailed or involved my involvement with that project, at that time, that they may have to persuade me it would not be in my best interest to stay involved in the project. But I don't believe that I got any arm-twisting to get out, that was my own voluntary decision, and I moved on.

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Mr. FIELDS. What do you mean by "someone tried to persuade; you it wasn't in your best interest?" Was it a threat?

Mr. SNYDER. No; it was not a threat. I think there were probably some competing interests at that time, and they were probably not in favor of the legislation that had—nor the passenger ship legislation that had been presented at that time. And I was opposing the reflagging back in the 1983 period which we are not today, we are not opposing reflagging. And I think it was just a determination on my part it would be best to back out.

Mr. FIELDS. Mr. Sotir, based on your 30 years' experience in the cruise business do you agree with the Harbridge House data that it would cost $202 million for a 700- to 900-passenger vessel and $380 million for a 1,300- to 1,500-passenger ship?

Mr. SOTIR. Based on our initial discussions with the yards, I would say absolutely not. I would say we are looking at a 1,000-passenger ship and we are not looking any more than $150 million at tops.

Mr. FIELDS. OK.

Mr. SOTIR. We are going to be appealing to an upscale market consistent with the position of the United States.

Mr. FIELDS. I think you touched on this already but for the record if you could summarize, our subcommittee is hearing testimony today about a possible change in policy regarding the Jones Act, what effect would a change of policy have on your efforts specifically?

Mr. SOTIR. You have to understand that we are going to be positioning the SS *United States* within the waters, in a sense; that is, in domestic trade. We are going to be cruising from the west coast up to Alaska, from the west coast to Hawaii, around the islands, from Hawaii back to San Francisco, Los Angeles. We are also planning to do some intercoastal cruising from San Francisco, Los Angeles, through San Diego, through the Panama Canal to Florida and up the east coast to New York and Boston. We are also going to be cruising out of New York into New England and into Canada, so any change in the Jones Act which would infringe upon any exclusivity that we would have as an American-flag operator would very dramatically impact our revenues.

Mr. FIELDS. Mr. Chairman, no further questions.

Mr. BIAGGI. Mr. Sotir, you say you plan to support the Jones Act and, yet, you are requesting a right to build overseas. That is a conflict. We will deal with that in due course. Now you say you plan for the SS *United States* to go into Hawaii. What impact do you think that would have on the two vessels out there that have pioneered the market?

Mr. SOTIR. I think it would actually be an advantage from the point of view that obviously we are going to pour anywhere from $5 to $10 million in the market, and our plan is primarily to cruise from the west coast to Hawaii and from Hawaii back to the west coast where there isn't anybody providing that kind of destination service at this stage. The reason we feel that we have a market there is that our ship really is going to be innovative.

I am not here to sell you on the merits of the SS *United States*, except to make one or two points. In that there are going to be six dining rooms on this vessel, far more than what anybody else has

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to offer. That in itself is going to be a tremendous attraction, whether you want French cuisine one night, Italian the second, Oriental the third. We are going to have two physical fitness centers on the SS *United States.*

Mr. BIAGGI. Mr. Sotir, we don't need the commercial. The point I am concerned about is the advent of the SS *United States* in that area. It would have a negative impact on the SS *Constitution* and SS *Independence.* That is going to be a concern of this committee, I want you to know that.

Mr. SOTIR. Your point is well taken.

Mr. BIAGGI. Mrs. Bentley.

Mrs. BENTLEY. Thank you, Mr. Chairman.

Mr. Sotir, could you give me the difference in the final terms of Hermes versus title XI? What is Hermes offering?

Mr. SOTIR. To be very up front with you, I really don't have the details about that; it is all arranged through Dick Hadley. Only thing I know is that, in essence, it is a Government-backed guarantee funding.

Mrs. BENTLEY. I am very familiar with Hermes. I would like to know what the terms are. I would like to have that provided for the record, please.

Mr. BIAGGI. OK.

[The following was received:]

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2001 6th Avenue, Suite 3400

Seattle, WA 98 121 / USA

RECEIVED
JUL 15 1985
Salter, McKachen & Radine

Dear Sirs,

United States Cruises, Inc. ("USCI") executed a Conversion Agreement with Howaldtswerke-Deutsche Werft AG, Hamburg und Kiel, Kiel ("HDW") on September 29, 1984 as amended with the objective of converting the SS United States ("the vessel") from its present status into a high quality luxury cruise ship.

During June 3,4, and 5 a meeting was held in Hamburg in order to agree on the basic debt Financing Plan for the conversion of the vessel the principles of which have been embodied in a "Heads of Agreement" known to all parties involved.

According to this Heads of Agreement the Financing Plan is devided into four parts

| | (millions) |
|---|---|
| Equity | US$ 33.0 |
| Bridge Financing (US$ 35.0m.) | |
| First Preferred Mortgage (incl.HDW subordinated supplier's loan of US$ 5.0m.) | US$ 55.6 |
| Hermes Guaranteed | US$ 105.0 |
| | US$ 193.6 |

The turnkey construction price shall not exceed the amount of Deutschmark 450,000,000.00 ("Guaranteed Maximum Cost"). In addition capital funding is required during the Conversion Period to cover

COMMERZBANK Aktiengesellschaft Sitz der Bank: Düsseldorf (HRB 1)
Vorsitzender des Aufsichtsrates: Paul Lichtenberg
Vorstand: Walter Seipp, Vorsitzender, Erich Coenen, Dietrich-Kurt Frowein, Friedrich Grundmann, Kurt Heinhäuser, Götz Kreppenhofen, Martin Kohlhaussen, Jürgen Ramcke, Robert Frhr. v. Senger, Jürgen Terrahe

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| | (millions) |
|---|---|
| Mortgage Repayment | US$ 2.5 |
| Financing & Legal Fees | US$ 3.0 |
| Letter of Credit & Commitment Fee | US$ 2.8 |
| Interest on Funds during Construction Period | US$ 6.4 |
| Startup Costs for promotion and advertising, establishment of USCM and training of shipboard personnel | US$ 20.3 |
| Total | US$ 35.0 |

This being premised we are pleased to inform you that Commerzbank AG is prepared to arrange and provide a Bridge Facility on following terms and conditions to United States Cruises, Inc. or to a partnership to be structured with two General Partners, USCI and a second General Partner ("the Company"):

1. Purpose

   To assist with the financing of the conversion and reactivation of the vessel during the Construction Period.

2. Lender

   Commerzbank AG, Ness 7-9, D-2000 Hamburg 11, as manager for Commerzbank AG, New York Branch or Commerzbank AG, Los Angeles Agency ("the Bank").

3. Amount and Currency

   Up to US$ 35,000,000.00 (Thirty-Five Million U.S. Dollars).

4. Drawing

   The facility can be drawn according to an acceptable disbursement procedure to be agreed upon. However, in any case US$ 14,000,000.00 can be drawn 6 months prior to redelivery of the vessel at the earliest.

5. Maturity

   In one lump sum at redelivery of the vessel, but in no event later than 32 months from closing, unless otherwise agreed.

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6. Security

The bridge Facility will be evidenced by a Loan Agreement and secured by:

a) Assignment of second equity cash call of not less than US$ 21,000,000.00 due at redelivery of the vessel but in no event later than 32 months from closing.

b) Assignment of acceptable irrevocable and unconditional bank Letters of Credit of not less than US$ 21,000,000.00 to be opened in favor of the Bank prior to drawdown and backing the second equity cash call in same amount.

Said bank Letters of Credit are due for payment at redelivery of the vessel or 32 months from the closing (whichever shall be the earlier).

c) First Preferred Mortgage on the vessel limited to US$ 15,400,000.00 to secure amounts disbursed under this Facility in excess of US$ 21,000,000.00. This Mortgage will be extinguished upon entire repayment of the Bridge Facility.

d) Take out financing has been signed prior to drawdown and is acceptable for the Bank.

e) Acceptable Standby Equity and/or Insurance covering start-up cost overruns and/or increased costs of conversion which are to be paid by the Company prior to redelivery of the vessel.

f) Assignment of Conversion Period insurances including but not limited to force majeure insurance.

g) Assignment of liquidated damages under the Conversion Agreement of at least 3 per cent of the Guaranteed Maximum Cost.

h) Assignment of Advance Payment Guarantee of Salzgitter AG in an amount of DEM 21,220,000.00.

i) Disbursement of US$ 14,000,000.00 six months prior to redelivery at the earliest subject to

a) confirmation of the relevant United States authorities that all applicable rules and regulations have been complied with so far

b) confirmation of HDW that the vessel will be redelivered within the next 6 months

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All security documents in form and substance satisfactory to the Bank.

8. Conditions

Interest

Calculated at the rate of 1 3/4 per cent per annum above LIBOR for available Fixture Periods

or alternatively

calculated at the rate of 1 per cent per annum above the Bank's floating prime rate payable in arrears at the end of each month

Commitment Fee

1/2 per cent per annum from the date of acceptance of this binding offer on any part of the Facility Amount for the time being undrawn and uncancelled, payable in arrears at the end of each period of 3 months

Handling Fee

3/4 per cent flat upon execution of the Loan Agreement

Costs and Expenses

The Company will pay to the Bank all reasonable additional expenses incurred, i.e. inter alia all legal fees and out-of-pocket expenses

9. Law

All Documentation relating to this Bridge Facility shall be governed by and shall be construed in accordance with the laws of the State of New York, United States of America.

This binding offer is made under the assumptions that

- the binding Conversion Agreement between the Company and HDW will remain in force

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COMMERZBANK AG

Blatt 5 zum Brief vom 18.6.1985 an United States Cruises, Inc.

- the entire finance package will be arranged substantially as outlined above and all documentation will be signed simultaneously

- all details concerning the ultimate format of the documentation will be arranged to the mutual satisfaction of all parties concerned.

- The Bank's participation in the HERMES Guaranteed Tranche as outlined in its respective separate offer letter as amended from time to time will not be reduced.

- Satisfactory Use of Proceeds Document.

This binding offer shall be open until and including

August 1, 1985.

Please indicate acceptance of this binding offer on the foregoing fundamental terms and conditions by returning to us the duly signed duplicate of this letter.

Yours faithfully,

COMMERZBANK
Aktiengesellschaft

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**für Wiederaufbau**

Kreditanstalt für Wiederaufbau
Palmengartenstraße 5-9
Postfach 111141
6000 Frankfurt am Main 11

Confidential

United States Cruises, Inc.
2001 6th Avenue, Suite 3400

Seattle, WA 98 121 / USA

Palmengartenstraße 5-9
Postfach 111141
6000 Frankfurt am Main 11
Telefon: (069) 7431-0
Telex: 411352
Telegrammadresse:
Kreditanstalt Frankfurtmain

| Ihre Nachricht | Ihr Zeichen | Bearbeiter | Unser Zeichen | Durchwahl | Datum |
|---|---|---|---|---|---|
| | | | Lp/Fh | 2741 | Dec. 31, 1984 |

Dear Sirs,

On October 29, 1984 United States Cruises, Inc. and Howaldtswerke-Deutsche Werft AG, Hamburg und Kiel, Hamburg, signed an Agreement for the conversion of the SS "United States" into a high quality luxury cruise ship to be put into service as a US flag vessel (the "Project") with cruises planned between ports located both within the United States and throughout the world.

According to this Agreement the cost of the conversion shall not exceed the sum of Deutsche Mark 436,000,000.00 (Guaranteed maximum Cost), with the addition of up to US$ 50,000,000.-- for other costs, the whole finance package to be financed substantially as outlined below:

| Finance Plan | Assumed Exchange Rate: 1 US$ = 2,80 DEM | |
|---|---|---|
| use of funds | source of funds | |
| conversion US$ 155,7 m. | US$ 31,14 m. (20 %) | Equity |
| | US$ 31,14 m. (20 %) | loaned by a Syndicate of International Banks |
| | US$ 93,42 m. (60 %) | loaned by<br>Kreditanstalt für Wiederaufbau US$ 46,71 m.<br>Commerzbank AG US$ 46,71 m.<br>by way of parallel Loans without joint liability |
| other costs US$ 50,0 m. | US$ 16,00 m. (33 %) | Equity |
| | US$ 34,00 m. (67 %) | loaned by a Syndicate of International Banks |
| US$ 205,7 m. | US$ 205,7 m. | |

The International Banks Loan with a lifetime of not less than 8 1/2 years from redelivery of the vessel, unless otherwise agreed.



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This being premised and parallel to the present finance offer of Commerzbank AG, Hamburg ("Commerzbank") we are pleased to inform you that Kreditanstalt für Wiederaufbau is prepared to arrange and provide a loan facility to United States Cruises Inc. ("the Company") or to a Partnership of which the Company shall be a General Partner, to be formed to undertake the Project on the following terms and conditions:

1. Purpose

To assist with the financing of the conversion and reactivation of the SS "United States" ("the Vessel") to be carried out by Howaldtswerke-Deutsche Werft AG, Hamburg und Kiel, Hamburg, ("HDW") flying the US-flag and due for re-delivery in the first half of 1987.

2. Lender

Kreditanstalt für Wiederaufbau, Palmengartenstraße 5-9, 6000 Frankfurt am Main ("the Bank"), parallel to Commerzbank.

3. Amount and Currency

Up to DEM 130,800,000.00 (One Hundred and Thirty Million Eight Hundred Thousand Deutsche Mark) which represents 30 % of the cost price for conversion and reactivation of the Vessel of DEM 436,000,000.00.

The Loan to be denominated in US$ at the official rate of exchange fixed by the Deutsche Bundesbank, Frankfurt am Main, at the date of drawdown or at any other rate of exchange to be agreed upon prior to that date according to a US$/DEM forward transaction in order to avoid foreign exchange risks during the Construction Period.

4. Drawing

The facility is to be drawn in full in one amount upon re-delivery of the Vessel pari passu with the Commerzbank facility, cancellation in whole or in part with the prior consent of the Bank without penalty on 30 days notice but payment of actual costs proved.

5. Loan Period and Repayment

The loan facility will be made available for a period of eight years and a half (8 1/2) with repayment to be effected by way of seventeen equal semi-annual instalments commencing six months from re-delivery of the Vessel.

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On request of the Company and to be supported by evidence that its liquidity is not sufficient to meet the debt service according to the original schedule the Bank in order to avoid foreclosure of the Mortgage will co-operate with the International Banks and Commerzbank on a suspension of repayment instalments due. Such suspension is limited to a max. of up to six individual repayment instalments falling due under the repayment schedule, each of which would then have to be repaid in up to 10 equal semi-annual instalments commencing 6 months after the original due date of such a suspended instalment. However, in any case the whole loan period shall not exceed 12 years from re-delivery of the Vessel.

6. Security

The loan facility will be evidenced by a Loan Agreement and secured by:

- Ship mortgage, ranking after max. US$ 65,14 m. within the framework of a separate Coordination Agreement

- Assignment of earnings, earnings to be held in escrow by a trustee to be agreed upon and to be distributed in conformity with a separate Coordination Agreement according to the following priorities:

  1. Current operating costs

  2. Operating costs reserve fund to be built up for the follwing next three months of operation

  3. Debt service equally ranking with the Commerzbank facility and the International Banks Loan

  4. Equity distributions limited to 50 % of the Company's cash flow after service to position 1-3 above but not more than 15 % p.a. on share-holder's equity

  5. Remaining portion of the Company's cash flow after service to position 1-4 above to be paid into a debt protection fund equal to the maximum of the next semi-annual principal and interest payment. In case this debt protection fund has reached its maximum amount the Company's cash flow after service to position 1-4 above may be used entirely for Equity distributions.

- Assignment of all insurances - including Mortgages Interest Insurance - related to the Vessel equally ranking with the KfW facility and the International Banks Loan

- Export Credit Guarantee of the Government of the Federal Republic of Germany acting through HERMES for a tied financial loan as laid out to be arranged for and obtained by the Bank.

All security documents in form and substance satisfactory to the Bank.

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7. Necessary Permits

All necessary permits granted in a sufficient way will be obtained and kept into force.

8. Conditions

a) Interest

Interest calculated at the rate of 1 1/4 per cent per annum above the offered rate quoted to leading Banks in the Euro-Market for deposits of corresponding amount for the Fixture Period selected two business days before the first day of the relative Fixture Period. A fixed rate of interest for the whole lifetime of the Loan or shorter periods of time might be quoted by the Bank, if matching deposits are available for the Bank.

We understand that in order to reduce the actual interest rate including the Bank's margin to the minimum OECD-rate of 8 % p.a. up to 2 % p.a. interest subsidies can be granted by the Bank within the framework of the VIIIth Yard Aid Program. If the full 2 % p.a. subsidy cannot be used in a particular interest period (because the relevant interest rate during that interest period is less than 10 % p.a.) the unused portion of the 2 % p.a. subsidy may be transferred to another interest period when the relevant interest rate is higher than 10 % p.a.

In case of taking recourse to the suspension of repayment the conditions therefore would have to reflect the then relevant funding situation, but in principle Interest would be calculated with a spread as mentioned in this Clause but without interest subsidies.

b) Commitment Fee

The Company will pay to the Bank a Commitment Fee from the date of acceptance of this binding offer or from the date of signing of the Loan Agreement (whichever shall be the earlier) at the rate of 1/4 % per annum for the first 12 months and 3/8 % per annum for the remaining period of time on any part of the Facility Amount for the time being undrawn and uncancelled. This Commitment Fee will be payable in arrears at the end of each period of 3 months or on such earlier date as the Facility Amount has been drawn in its entirety.

c) Handling Fee

A Handling Fee of 1/2 % flat will be payable 50 % upon execution of the Loan Agreement and 50 % upon drawdown of the Loan.

d) Costs and Expenses

The Company will pay to the Bank all reasonable additional Expenses incurred, i.e. especially all legal fees and other Expenses relating to the documentation and the additional costs charged by HERMES for covering a US$ Loan.

9. Law

All Documentation relating to this loan facility shall be governed by and shall be construed in accordance with the laws of the State of New York, United States of America.

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This binding offer is made under the assumption that

- the binding Conversion Agreement between the Company and HDW will remain in force

- the entire finance package will be arranged substantially as outlined above and all project documentation will be signed simultaneously

- all details concerning the documentation will be arranged to the mutual satisfaction of all parties concerned

- the Government of the Federal Republic of Germany acting through HERMES Kreditversicherungs-AG (HERMES) will grant the Export Credit Guarantee for the envisaged loan facility. On December 18, 1984 HERMES approved the financing as outlined in this offer, however, following the standard procedure HERMES will execute the official document after signing of the Loan Agreement.

This binding offer shall be open until and including

**March 01, 1985.**

As to your explecit request we herewith declare our willingness to accept Sub-Lenders for the facility to an extent and conditions stated by the Bank and acceptable for HERMES.

We herewith authorize the Company to release this binding offer for use in the offering memoranda for the International Banks Loan and as well for the Equity, copy of each has to be given to the Bank prior to release.

Please indicate acceptance of this binding offer on the foregoing fundamental terms and conditions by returning to us the duly signed duplicate of this letter.

Yours faithfully,

KREDITANSTALT FÜR WIEDERAUFBAU

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Mrs. BENTLEY. Now, you just said a few minutes ago that—let me ask you another question. How many passengers are you planning for the SS *United States?*

Mr. SOTIR. Fifteen hundred.

Mrs. BENTLEY. And you are spending $160 million for the furbishing?

Mr. SOTIR. Yes.

Mrs. BENTLEY. And you say you are going to be able to build new ships for $150 million for 1,000 passengers?

Mr. SOTIR. Right.

Mrs. BENTLEY. Those figures don't quite jibe. And what type of funding are you planning on the new ships?

Mr. SOTIR. Title XI funding, essentially with equity funding for a program. About 70 to 75 percent. That is going in. You have to understand we are now in the process of putting together our business plan and doing our projections. I would be in a much better position to answer that question 30 days from now.

Mrs. BENTLEY. I would like to have that included in the record, too, Mr. Chairman.

Mr. BIAGGI. Without objection.

[The information follows:]

WORK BEING DONE AT ALABAMA DRY DOCK & SHIPBUILDING CO.

At the time of the hearing it was our intent to have the steel superstructure work accomplished at the Alabama Dry Dock and Shipbuilding Company in Mobile with the balance of the conversion to take place in Hamburg, Germany. However subsequent developments necessitated our disassociating ourselves with the yard in Hamburg. Ultimately we were able to negotiate a new contract whereby the entire conversion is taking place in Alabama. Consequently all our efforts in recent months have been directed towards these negotiations and we have not pursued the planning for our second and third ships. Therefore we are unable to provide more precise information concerning the new building costs with Alabama or any other yard in the United States.

Of added interest, however, is that we have applied for 75% Title XI loan guarantees with MARAD for the reconversion of the SS *United States* which is now to take place in the U.S. (Alabama).

Mrs. BENTLEY. The Alabama shipyard is going to do drydocking on the ship?

Mr. SOTIR. Yes.

Mrs. BENTLEY. They are going to work on the hull?

Mr. SOTIR. They are going to work on the hull and the superstructure as well as the asbestos removal work.

Mrs. BENTLEY. They are going to be able to dry dock the ship to do the hull work?

Mr. SOTIR. Yes.

Mrs. BENTLEY. They do have the——

Mr. SOTIR. They do have the facilities to handle the SS *United States.*

Mrs. BENTLEY. I am sorry to hear that because I know that the company was negotiating with Sparrows Point at one time, and in spite of my respect for my colleague from Alabama, I am sorry that we have lost the work at Sparrows Point.

What was the difference in price, if I may ask?

Mr. SOTIR. I don't have that information.

Mrs. BENTLEY. I would like to get that too, please.

[The information follows:]

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UNITED STATES CRUISES,
*Brisbane, CA, May 22, 1985.*

Hon. HELEN DELICH BENTLEY,
*U.S. House of Representatives,*
*Washington, DC.*

DEAR CONGRESSWOMAN BENTLEY: During the May 7, 1985 Merchant Marine and Fisheries Sub-Committee Hearing in Washington, DC, you asked the question concerning the price comparison on the bids received from Bethlehem Yard for the conversion work of the SS *United States* and the bit from Alabama Dry Dock & Shipbuilding.

In reviewing our records we find on December 17, 1984 Bethlehem quoted a price of $11,440,000. This was based on estimated net quantities of steel and aluminum to be installed on the ship as follows: 1,595,200 pounds of steel and 1,057,000 of aluminum, 608,000 pounds was in the form of extrusions and these were to be supplied to Bethlehem's yard at the expense of others.

Bethlehem's bid was predicated on all asbestos being removed by others prior to the ship's delivery at the yard.

When all the calculations were taken and quantities adjusted for full comparability, Bethlehem's figure was about 50% higher than Alabama Dry Dock and Shipbuilding. In addition, Alabama was familiar with U.S. government requirements for removal of asbestos. The Alabama Yard also has an authorized disposal site on their own property and were quite willing to handle all such work, * * * no small consideration in our analysis.

Material represented about ⅓ of Alabama's quote. Presumably Bethlehem's material cost is essentially the same as Alabama. On this basis Bethlehem wanted about 75% more for labor and/or profit than Alabama.

It is also our impression that after Bethlehem received the Marad contract to reflag five Barber Line ships, there was considerable lessening on their part for our project.

If there is anything additional you require, by all means to let us know. Meanwhile we will make an honest effort to keep you apprised of the progress of our project as we move forward to our late 1987 maiden voyage.

Sincerely,

GEORGE A. SOTIR, *President.*

Mrs. BENTLEY. You said you have negotiated with MEBA?

Mr. SOTIR. Yes.

Mrs. BENTLEY. Is it MEBA I or II?

Mr. SOTIR. MEBA II.

Mrs. BENTLEY. Which sailors union?

Mr. SOTIR. SUP.

Mrs. BENTLEY. And the contracts are, as you said, very good ones?

Mr. SOTIR. Yes.

Mrs. BENTLEY. You are happy with them?

Mr. SOTIR. Very happy with them.

Mrs. BENTLEY. One of the concerns I would think of this committee, Mr. Chairman, is that one of the complaints of the old passenger ships, when we had about a dozen of them running, was the high cost, particularly in the stewards department. I remember the cost that was used in regard to getting a hamburger at night on the SS *United States* was about $55 or something. You have overcome that?

Mr. SOTIR. Yes, we have. Let me assure you we have.

Mrs. BENTLEY. I think that is to our credit and to the credit of the labor unions today, who are being very realistic.

Mr. SOTIR. Thank you.

Mrs. BENTLEY. One other thing I may say, Mr. Sotir, is that there are probably more studies around on the maritime industry—I could dust my shelves off if you want them and you can study

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them and see what is in there. You are waiting for a study on the overall maritime policy. Don't hold your breath.

Mr. SOTIR. OK.

Mrs. BENTLEY. Mr. Lambert, what is the estimated cost of refurbishing the two ships to reflag them to American standards?

Mr. LAMBERT. Congresswoman, it will be at least $10 million for the two ships to bring them into conformity with U.S. Coast Guard regulations.

Mrs. BENTLEY. $10 million each, $10 million total?

Mr. LAMBERT. Ten, at least $10 million total.

Mrs. BENTLEY. And with what unions do you have the labor contracts?

Mr. LAMBERT. We have a recognition agreement with MEBA 2 and we have no prehire agreement with anyone else.

Mrs. BENTLEY. And you are satisfied with the terms?

Mr. LAMBERT. Yes, we are.

Mrs. BENTLEY. Have you been negotiating with any American shipyards on the estimated cost?

Mr. LAMBERT. Yes, we have talked to a number of them.

Mrs. BENTLEY. Been getting estimates?

Mr. LAMBERT. Yes, madam.

Mrs. BENTLEY. Thank you.

Mr. Snyder, your description of U.S. citizens' need in cruise ship configurations is obviously drawn from a comparison with the luxurious cruise experiences currently available aboard foreign-flag cruise ships, especially those operating out of Miami.

Is there any U.S. demand for less costly types of cruisers?

Mr. SNYDER. Our experience has been that on most cruise ships the most expensive and the least expensive cabins sell first. The middle range of cabins is the fill out for the vessel to get to the utilization factor.

Yes, I do believe there is a market in the United States not previously identified by us, but there is a market in the United States for a less expensive cruise by American passengers.

The market that we have particularly identified has been the market of the southwest and midwest traveler, where we have our home operations which cruises they are primarily interested in, that is why we have identified the niche in the market we felt we needed to build a ship for.

But it does contain both high prices, very high priced and low-to-moderate priced cabins as most of the vessels are sailing out of Miami contain.

Mrs. BENTLEY. I am fascinated with the idea they are going to be sailing between Texas and Florida primarily and New Orleans.

You are going—you might call these car ferries; in essence, expensive car ferries.

Mr. SNYDER. With all due respect, we have a bowl in our conference room. Anyone who calls this a car ferry has to deposit a dollar. A car ferry, we are referenced to the Bolivar Ferry with gold on it, and we don't want to have—this is not Staten Island Ferry-type of operation, it is an auto liner operation.

Mrs. BENTLEY. Like in the Scandanavian countries.

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Mr. SNYDER. Yes, as you are probably well aware that Wartsila has designed and built the majority of those car ferries as they call them overseas.

Mrs. BENTLEY. Has Marad indicated they are willing to go along with the 50-percent title XI financing on these?

Mr. SNYDER. Yes, ma'am, we have spent a considerable time with Marad personnel educating them as to what it was we were attempting to go forth with and I believe I would have to say honestly, it was very well received that we did not want to overleverage this project.

Mrs. BENTLEY. Thank you, Mr. Chairman.

Mr. BIAGGI. Thank you, gentlemen.

Mr. BIAGGI. The following panel: Frank Drozak, president of Seafarers International Union; Mario White, secretary-treasurer of District 1, Marine Engineers' Beneficial Association; Talmage Simpkins, executive director of the AFL-CIO Maritime Committee; and Peter J. Luciano, executive director of Transportation Institute.

Feel free to summarize your statement if you so desire.

**STATEMENTS OF FRANK DROZAK, PRESIDENT, SEAFARERS INTERNATIONAL UNION; MARIO WHITE, SECRETARY-TREASURER, DISTRICT ONE, MARINE ENGINEERS' BENEFICIAL ASSOCIATION; TALMAGE SIMPKINS, EXECUTIVE DIRECTOR, AFL-CIO MARITIME COMMITTEE; AND PETER J. LUCIANO, EXECUTIVE DIRECTOR, TRANSPORTATION INSTITUTE**

Mr. DROZAK. On behalf of the Seafarers International Union, I would like to thank you for once again addressing the important issue of U.S.-flag passenger vessels and revitalization of the U.S.-flag deep sea cruise ship industry.

This committee is well aware of my longstanding support for expansion of the U.S.-flag passenger ship fleet. For both national security and economic reasons, and to advance our merchant marine, I have for years repeatedly advocated a reasonable approach for the expedient addition of cruise vessels to the U.S. merchant fleet. Yet, despite the U.S. military need for these vessels, and despite continuous declarations of new and ongoing domestic passenger ship projects, no additional passenger vessels have been added to the U.S. fleet since 1981.

As time goes on, it increasingly appears that precious few will be added in the coming years unless positive action is taken to encourage American investment in this industry. In fact, as world and U.S. economic conditions currently exist, only one passenger vessel, the yet-to-be-reconditioned SS *United States*, can realistically be expected to join the active U.S. fleet in the foreseeable future.

This lack of passenger ships is a national tragedy, because the U.S. military, by its own admission, needs an enhanced U.S. passenger fleet from which to draw vessels to act as troop and hospital ships in times of war or national emergency. Currently, only two U.S.-flag deep sea passenger ships are active, both of which operate in the Hawaiian Islands. These two vessels capture but a tiny portion of the $5 billion a year U.S. cruise market, the largest and most lucrative cruise market in the world.

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The overwhelming share of the U.S. market is dominated by foreign interests, who operate more than 50 foreign-flag passenger cruise vessels out of U.S. ports. For the most part, these vessels are foreign owned and crewed, with no vested interest in American concerns beyond exploiting America's economic prosperity.

These vessels are not required by law to be made available for use by the U.S. military in emergency situations, and even if they were voluntarily made available, their crews, who come mostly from the Third World nations, have no loyalty to any country but their own. Economically, most of the nearly $5 billion in revenue they generate from U.S. citizens on cruise vacations flows directly out of the United States and into foreign coffers, adding substantially to our growing foreign trade deficit.

U.S.-flag vessels, on the other hand, do provide tangible benefits to both national security and the American economy. U.S. vessels by law serve as a direct military adjunct, and through Federal, State and local corporate and personal income taxes, they return a large portion of their revenues back to the U.S. economy. It is obvious that we must expand the U.S. fleet to recover some of these lost revenues and generate these national benefits. The question this panel must answer is—how best can this goal be achieved?

Obviously, any attempt to dislodge or otherwise directly compete against existing foreign-flag cruise services would quickly fail. Foreign services utilize inexpensive foreign-built ships, generally employ poorly trained and low cost foreign crews, and are exempt from many U.S. safety and manning regulations. These factors permit foreign services to operate at a fraction of the cost of an American-built, U.S.-manned, and Coast Guard-certified vessel.

Moreover, most of these foreign services are firmly entrenched in their trade areas. Industry studies solidly indicate that ocean cruise vacationers frequently are repeat customers with strong loyalties to past experiences. This gives existing services an almost insurmountable edge against any new competition.

The best way to achieve U.S.-flag growth, therefore, is to find another market for U.S. vessels, one that is not already dominated by foreign services. That market is the U.S. domestic coastwise trades. Under existing law, foreign services and foreign-built cruise vessels are prohibited from carrying passengers in the domestic trades. This has left the domestic market virtually untouched, with the exception of the two Hawaiian vessels and several other smaller, nonoceangoing coastal and inland river services. This fertile but as yet untested market can most probably sustain business operations for a large number of additional U.S.-flag vessels and services.

Because of the increased visibility of the ocean cruise industry and the continued strong American economy, nearly 2 million American citizens are expected to take an ocean cruise vacation this year. The great majority of these vacations will be on existing foreign-flag services cruising out of U.S. ports to Caribbean islands and other nearby foreign nations. I suspect, however, that not every one of these vacationers necessarily wishes to utilize these foreign-flag services, but does so because of the lack of alternatives.

Similarly, many other Americans who would like to take a cruise vacation don't because of the great distances they must travel. I believe that an expanded domestic cruise industry could meet the

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needs and demands of both these groups. U.S. Department of Commerce figures indicate that each year about 50 million Americans take at least one 7-day vacation. With 2 million Americans expected to utilize existing foreign-flag cruise services this year, this leaves an enormous market of 48 million others who could be convinced to try domestic U.S.-flag services operating in regional areas.

It is essential, however, that any U.S.-flag cruise service not be prohibitively expensive. Excessively high U.S.-flag costs versus foreign-flag operations would quickly drive potential customers to our foreign competitors. It is for this very reason that no new U.S. passenger vessels have been built in the United States for nearly 30 years, and it is why no future new buildings are realistically expected.

The prohibitively high cost of American building is also why if this Nation wants to rebuild its passenger ship fleet, it must turn to reflagging of less expensive foreign-built vessels that can be competitive in the domestic cruise market.

The question surrounding reflagging has been an emotional and controversial one over the past several years. Many see reflagging as the quickest, most efficient way of rebuilding our passenger ship fleet with militarily useful, commercially active vessels. Others have portrayed reflagging as a menace to U.S. shipbuilding capabilities, and a threat to numerous new-building projects.

Yet, for as long as the controversy has raged, no progress has been made on any of the new-building projects, and no vessels have been added to the fleet. It is time to give up these false hopes and to try the reflagging alternative. Only through reflagging, which costs the government nothing, can we actively begin to expand the U.S.-flag passenger ship fleet.

This panel has asked for input on six specific questions concerning the possible reflagging of foreign-built vessels and the granting of coastwise trading privileges. I shall try to answer them as briefly as possible.

One; should reflagging with coastwise privileges be permitted, and should this authority be temporary or permanent? I think that my testimony thus far speaks for itself—reflagging appears to be the only likely option if we are to expand the U.S.-flag passenger fleet. U.S. new-buildings are now, and for the foreseeable future will continue to be, economically unviable. However, the market presently is there for U.S.-owned and -crewed vessels which can operate at a reasonable cost.

By reflagging, we can quickly expand the fleet to take advantage of this market, while also generating thousands of jobs for American citizens and providing substantial economic benefit to the nation as a whole. As to whether or not this authority should be permanent or temporary, it is only fair that once these vessels are reflagged and have established and cultivated a trade, that they be allowed to remain there permanently. Any possibility of losing coastwise privileges after they have been granted would only increase the risk of investment, and act as a major disincentive against testing the market and establishing a trade.

Two; should there be a limit on the number of ships reflagged? No, to limit the number of vessels reflagged is to limit the poten-

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tial growth of the U.S. fleet. As I pointed out earlier, the potential market for domestic U.S. cruising is enormous. With just 2 million passengers providing a lucrative business for over 50 foreign-flag vessels, who knows how many U.S. vessels could be employed by the other 48 million American vacationers.

I don't mean to imply that U.S. vessels will capture the entire 48 million, but the point is that the market is sufficiently large to accommodate an untold number of U.S. vessels. Nor should there be concerns about flooding the market with reflagged vessels. Most investors are highly unlikely to sink their funds into an untested trade, and once the trade has been reasonably tested, the supply and demand situation will quickly become apparent.

Three; should there be a time limitation, or a temporary window, during which vessels can be reflagged? Yes, we feel it would be advisable at this time to limit the reflagging period. A temporary window would guard against any possibility of an unlimited flooding of the market, and would provide an opportunity for Congress and the industry to step back and evaluate the effects of reflagging and the development of the trade.

Depending upon the results of this evaluation and on market conditions in the trade, authority could then be either temporarily or permanently extended, not renewed, or additional vessels could be admitted on a case-by-case basis. It is important, however, that the initial window period be sufficiently long to allow all seriously interested parties to develop their plans and reflag vessels. I would recommend a 2- to 3-year window, which will give potential operators adequate time to properly examine the market, shop for vessels, and reflag them.

Four; what restrictions should be placed on the reflagging of vessels? Since a primary motive behind the rebuilding of the U.S. passenger vessel fleet is to increase the availability of militarily useful vessels for U.S. military needs, any vessel which seeks to be reflagged should be of an oceangoing design that is readily convertible into a troop or hospital ship configuration.

Additionally, no vessel of Soviet or Soviet bloc origin should be permitted to be reflagged for operation in the U.S. trades. The Soviet Union, as part of its defense preparedness plans and in an effort to earn hard currency abroad, has already built a fleet of over 30 passenger vessels. We should never, despite any possible availability of low-cost, excess Soviet tonnage, economically aid that totalitarian regime by purchasing Soviet surpluses to supplement U.S. defense needs.

Five and six; to what extent should foreign building of reflagged and U.S.-built vessels be permitted? While the new-building of passenger vessels in U.S. shipyards presently is uneconomical, the U.S. shipbuilding base is still an essential national asset that deserves our support. We must ensure that these yards remain open, and receive business to survive.

For this reason, once a vessel has been reflagged, any repair and/or alteration to the vessel and all annual maintenance should be required to be performed in U.S. shipyards. This will provide millions of dollars worth of guaranteed business to U.S. shipyards each year, business these yards don't presently have, and probably never would have, without reflagging. Moreover, this guaranteed

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business would also be helpful in familiarizing the shipyards with the vessels, and thereby enhance the shipbuilder's ability to quickly convert them into militarily useful vessels when needed.

As to the question of foreign conversion of U.S.-built vessels, it would only be consistent and fair that if we are going to permit foreign construction and reflagging of foreign vessels, we also allow existing U.S.-built ships to be reconstructed in foreign yards. This will permit American interests with laid up U.S.-built passenger vessels to refurbish these vessels at an economical price and start out in the trade on an even footing with any reflagged vessels.

Because of current economic conditions for American new-buildings, and because of the ever growing need for U.S.-flag passenger ship capacity, I believe that the reflagging of foreign vessels and the granting of coastwise trading privileges to these vessels is the best option for expansion of the U.S.-flag passenger fleet. With a thriving domestic economy and an enormous potential domestic market, we would be foolish to once again pass up this chance to revitalize the U.S. passenger fleet at no cost to the Federal Government.

I should also note at this point that the potential for revitalizing the U.S.-flag passenger fleet in the coastwise trades is further enhanced by the business tax deduction permitted for conventions held aboard U.S.-flag passenger vessels. This incentive has been very successful in attracting business for existing U.S.-flag services, and it should be very beneficial in attracting business for any new U.S.-flag operations.

Unfortunately, this deduction has recently been mentioned as a provision to be eliminated by several tax reform measures, including the Treasury Department's proposal. Additionally, foreign interests are once again expected to try to expand the deduction to include foreign-flag vessels. I urge this committee to fight both of these proposals. Adoption of either one would severely limit the U.S. fleet's ability to compete for passenger business, and would dramatically impair the growth potential of the U.S. passenger fleet.

Once again, I thank the distinguished Chairman and this dedicated committee for its efforts and initiatives on behalf of the U.S.-flag passenger fleet. With less than 390 private U.S.-flag ships currently active in the entire U.S.-flag merchant fleet, there is an urgent need in the industry to create new job opportunities.

I believe that the reflagging of passenger vessels would provide us with a unique opportunity to quickly and efficiently expand the active passenger ship portion of that fleet, and create hundreds and possibly thousands of maritime jobs—jobs which will help to preserve and ensure the existence of a skilled maritime manpower pool for national security. I urge this committee to support, and work toward the passage of, reflagging legislation.

Thank you.

Mr. BIAGGI. At this point we will suspend until I return after voting.

[Recess.]

Mr. BIAGGI. The meeting is called to order.

Mr. White.

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## STATEMENT OF MARIO WHITE

Mr. WHITE. We thank you.

Mr. Chairman, as secretary-treasurer it is a pleasure to testify on behalf of district 1 of the Marine Engineers' Beneficial Association.

Mr. Defries, our president, wanted very much to be here today but he has been called out of town on business. So I am pinch hitting today.

Mr. Calhoon, when president of district 1 of the Marine Engineers' Beneficial Association, testified before this committee on the passenger cruise ship industry. I share the views he has often expressed on this subject.

We want to see the U.S.-flag cruise industry grow. We oppose any piecemeal, special interest exceptions to the Jones Act that would benefit one operator or one party while foreclosing possibilities for others. And, we believe that the time is long overdue for a major reexamination of the Jones Act.

I would like to emphasize especially this last point. As the Marine Engineers have already recommended, we would urge this committee, and its counterpart in the Senate, to initiate a comprehensive study of the Jones Act. And this study ought to include concrete recommendations for action, not excuses for inaction.

Before this committee in February, Mr. Calhoon noted how the Act might be revised or updated in order to make our industry grow—and in the context of a comprehensive study he noted that permitting foreign-built vessels to carry cargo in the Jones Act trades on a regular basis could give our industry a powerful shot in the arm. It would also benefit American consumers—not just in Alaska, Hawaii, and Puerto Rico, but in many States.

For example, I know we can beat out trucks and railroads on many routes if we, like they, are allowed to purchase our operating equipment where it makes sense from a business point of view—and that, Mr. Chairman, means abroad.

Mr. Chairman, today our industry has to play by the Marquis of Queensbury rules with one hand tied behind our back, while our domestic competition plays by the rules of the jungle. No wonder we have trouble even getting into the ring with trucks and railroads. No wonder the U.S. coastwise cargo trade—so strong before World War II—has dwindled to a small fraction of the role it used to play. In this area alone, there is enormous possibility for maritime growth—and growth is what we ought to be fighting for, not battling among ourselves for smaller pieces of a shrinking pie.

I also know that the U.S.-flag passenger cruise industry is one of enormous potential. I happen to feel strongly that U.S.-built passenger vessels are viable in the Jones Act trades if they are not forced to compete from the day they hit the water with far less expensive foreign-built cruise ships. It just is not fair to ask one operator to play by one set of rules and another to play by another set of rules.

That is why we believe emphatically that any changes in the Jones Act would have to include compensation of some sort for operators who invested under today's rules, such as Matson in the liner trades.

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Similarly, there would have to be some sort of equalizer as regards passenger ships so that if eventually foreign-built passenger vessels are permitted into the Jones Act trades, these vessels do not destroy legitimate operators using U.S.-built vessels.

Mr. Chairman, what I have just said points up the need for a comprehensive study of the Jones Act. Indeed, every one of the six questions posed in your letter regarding today's hearing would properly belong within the purview of such a study.

I underline the word comprehensive. Changes have to be for all. They cannot benefit just one or a few parties. If they are not comprehensive, then there will always be opposition—powerful opposition, and justified opposition—from one quarter or another of our industry. And with such division, we will remain doomed to inaction and stagnation—a future neither you, nor I, nor anyone else in this room would like to see.

To put it most directly, Mr. Chairman, our industry does not need to fight the battle over the Cunard vessels again this year. We have far more urgent business before us—such as meeting head on with all our energy the unjustified attacks on cargo preference that could destroy our entire dry-bulk fleet. But we do need to grow, and we do need to seek every way we can to put ships under the U.S.-flag.

With this as a goal, our union applauds your desire to expand the U.S.-flag cruise fleet. I reiterate, however, that the solution must embrace the entire industry, not a fraction of it, and certainly not a few announced individuals.

The remedy must be comprehensive, not piecemeal. Anything less than comprehensive will simply condemn us all to hearing after hearing, as more ships fly foreign flags, and plans for growth remain blueprints gathering dust while every year we argue once more among ourselves.

Our union does not want to see our industry continue to go the way of shoes, rubber, apparel, steel, television, and railroads. We have worked too hard, too long, to let it die.

Thank you, Mr. Chairman.

Mr. BIAGGI. Mr. Simpkins.

## STATEMENT OF TALMAGE SIMPKINS

Mr. SIMPKINS. Mr. Chairman, we welcome the opportunity to work with you and this committee in developing consensus legislation that will assist in the revitalization of the U.S.-flag ship industry. We have believed all along that there is the potential for an American-flag passenger ship operation in the coastwise, intercoastal, and offshore cruise trades. We believed this even though it was contrary to a commonly held misconception that it was not possible because of higher American labor costs. American labor costs, as we envision them, would not disadvantage this operation. As we have said before, we are proposing for the largest category of people on the cruise ships that they work for the same wage currently being paid by the operators in the trade who have collective agreements with ITF-affiliated unions.

It is our opinion, however, that the companies and unions cannot do it alone; some form of positive action is necessary on the part of

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the Government before an American-flag passenger fleet can become a reality.

We believe there are several actions that could be taken. To begin with, this committee could reconfirm its commitment to the existing Jones Act-type protections. This, as we have suggested before, could be done through a committee statement wherein no waivers would be considered for a specific period of time, thereby giving the American interests time to establish themselves in the business. Second, because these Jones Act protections have been diluted by various rulings and interpretations over the years, it will also be necessary to restructure these laws so they would provide the necessary protections in today's world which they were initially designed to give. If this cannot be done as the actions of the past 15 years have indicated, then something else must be done if we are to have a passenger ship fleet.

We have reviewed the development of the American policy of restricting the carriage by water in the United States to American vessels. Very briefly, that history, as we have been able to determine, is as follows:

Beginning in 1789 several laws were enacted that in effect reserved our domestic trade to ships built and registered in the States. This was done by imposing a tonnage tax on foreign-flag ships.

More restrictive legislation was enacted in 1817 which prohibited foreign vessels from transporting merchandise between American ports. Later these laws become known as the Jones Act because of the efforts of Senator Wesley Jones to promote an American-flag merchant marine and enact the Merchant Marine Act of 1920.

An Attorney General ruled in 1843 that the prohibition against foreign-flag vessels transporting merchandise did not apply to passengers. As a result of this ruling we had the situation where foreign-flag ships could carry passengers but not cargo in our domestic trades.

This apparently did not create a problem because there was no change until 1886 when legislation was enacted forbidding foreign ships from transporting passengers between places or ports in the United States. A fine of $2 was established for each passenger carried in violation of the law. In 1898 this fine was increased to $200 and the language of the law was changed to add to the prohibition either directly or by way of a foreign port * * *.

The situation surrounding the need for the charge was explained in the Secretary of the Treasury's letter endorsing the legislation—section 8 of the act of June 19, 1886, imposes a penalty of only $2 on foreign vessels carrying passengers from one to another American port. This small penalty is wholly inadequate to preserve the coastwise carrying of passengers to American vessels on the long and expensive voyages from the Pacific coast of the United States to Alaska, up the Yukon, et cetera. The penalty is increased to $200. The penalty for the like offense imposed by the Canadian laws is $400, and I respectfully suggest that the penalty proposed by this section may be increased to that maximum.

There were several rulings and interpretations upholding this law between its enactment and the ruling in 1912 by the Attorney General which permitted foreign-flag vessels to transport passen-

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gers from a port in the United States through domestic and foreign ports and return them to the port of departure. In our opinion, it is this ruling that has been primarily responsible for the fact that the American cruise trade is dominated by foreign-flag passenger ships.

In 1983 there were approximately 80 foreign-flag passenger ships engaged in the U.S. cruise trade, 40 to 50 of which were either operating exclusively or operating a majority of their time out of U.S. ports and the 40,000 to 50,000 people employed on the ships were predominantly recruited from around the world with an insignificant number from the States.

When we testified last month at your field hearing in Miami, we detailed three possible approaches that would assist, in our opinion, in the development of an American-flag passenger fleet:

First, extend the Jones Act and the Passenger Ship Act of 1886 so that only American flag ships could engage in the U.S. cruise trade;

Second, permit for a 2-year period the reflagging of any foreign-flag ship under a certain age to the U.S.-flag; and,

Third, extend U.S. laws, both labor and safety, to any vessel regardless of flag if it is regularly engaged in the U.S. trade.

We made these proposals as dissimilar as they are, not because they are the only solutions, but because they represent a wide variance of opinion and what we envision the Congress would have done 100 years ago; and second, what could be expected as a minimum today.

To these three specific proposals, if the first were not adopted, we suggested that it would be necessary to uniformly apply all our laws to the ships in the trade regardless of flag. For example, it makes no sense that our safety standards continue as the best and the most expensive to build into a ship if there are competing foreign-flag ships carrying American citizens with less. It also makes no sense to prohibit the carrying of gambling devices on American-flag ships while they are permitted on all foreign-flag passenger ships, even those that are permanently-based in the States.

What we are suggesting, in summary, is one of two approaches—an exclusive American-flag operation or one where the business is shared between American-flag and foreign-flag but under the situation where everyone plays by the same rules.

Thank you.

Mr. BIAGGI. Mr. Luciano.

## STATEMENT OF PETER J. LUCIANO

Mr. LUCIANO. Thank you very much, Mr. Chairman.

Since, as you indicated, my statement will appear in the record, I will try to summarize briefly.

Mr. Chairman, and members of the subcommittee, we very much appreciate your interest in this issue which in our opinion is vital to the future of the U.S.-flag merchant marine. Our involvement in this issue goes back to the late 1970's, and at that time, with the substantial help of this committee, the *Independence* and *Constitution* started the revival of the passenger cruise ship industry under U.S.-flag.

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We have been as frustrated as many of you have been that that development has not continued its pace, and we feel that the most likely and most expeditious way at this stage and under the present economic conditions to continue the revitalization of the passenger fleet is through reflagging.

In order to provide some sort of stability and predictability to the market, we believe that there should be some limited time during which a reflagging window would be open. But for the same purpose, of stability and predictability, we feel that any vessel thus reflagged should have permanent authority to remain in the trade.

In all, it is important to keep in mind that the purpose is to rebuild the U.S. passenger fleet, and so it is extremely important that we try to remain as flexible as possible.

We would like to work with this committee in whatever way we can to rebuild the fleet. We thank you for your interest in this issue, and we hope that through the efforts of all the parties, we will together achieve an objective that serves the national interest.

Thank you.

[The statement of Mr. Luciano follows:]

STATEMENT OF PETER J. LUCIANO, EXECUTIVE DIRECTOR, TRANSPORTATION INSTITUTE

Mr. Chairman and members of the subcommittee, my name is Peter J. Luciano. I am Executive Director of the Transportation Institute, a nonprofit research and educational organization representing over 170 U.S.-flag member companies engaged in the Nation's foreign and domestic water-borne trades, including the passenger trades.

The Transportation Institute, dedicated to the preservation and promotion of a strong U.S. maritime capability, has long believed that there is a place under the U.S. flag for efficient and successful passenger vessel services and, therefore, welcomes with special pleasure this opportunity to express our views on opportunities to advance this very important sector of the industry. As the Subcommittee members know, over the past few years recommendations on how to revitalize the domestic U.S. passenger fleet have been varied. The Institute stands ready to continue to work with the Congress in an effort to pass legislation which would be fair and equitable to all sectors of the maritime community.

Thus, we appreciate the Subcommittee's past interest and continued efforts in attempting to develop legislation that will assist in the revitalization of the nearly extinct U.S.-flag cruise ship industry. It is because of such concerted efforts that both the *Independence* and *Constitution* are presently sailing under the American flag and plying the waters around the Hawaiian Islands, giving U.S.-flag ship operators an opportunity to compete for the considerable American convention business. Although such initiatives have sparked a rebirth in this sector of the industry, much remains to be done toward achieving the actual goal of full revitalization of the U.S.-flag passenger ship industry.

Very briefly, permit me to cite some specifics with respect to the passenger cruise ship industry, in gereral, and the U.S.-passenger fleet, in relation.

Worldwide, approximately 242 cruise vessels are now in operation. U.S. citizens represent an enormous concentration of demand for the cruise market, accounting for an estimated 75 percent of the world's demand for cruises. Presently, only two U.S.-flag vessels are operating in the deepsea cruise market. In addition, 12 U.S.-flag vessels with limited facilities operate in U.S. waters. However these vessels' aggregate lower berth capacity is the equivalent of one modern deepsea cruise vessel. In short, while the United States is for all intents and purposes virtually absent from the profitable and dramatically growing market, the current U.S. deepsea cruise market is almost totally foreign-owned and operated.

As a result, the maritime industry and the Nation's economy have been unfairly impacted, as measured by any one of the following yardsticks:

Tax revenues generated by U.S. tourists are earned by foreign nations.

Thousands of jobs are lost, both afloat and ashore.

The U.S. balance of payments is adversely impacted through U.S. tourists expenditures aboard foreign vessels.

Overseas-based tourism is lost by U.S. ship operators.

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Port expenditures and a host of related cruise expenditures lost.

U.S. shipyard repair and overhaul business are lost to foreign yards.

Significantly, the adverse consequences of the Nation's lack of passenger vessels are not limited to the immediate economic ones of jobs and revenues; they extend to national security, as well. The United States commercial fleet has long been recognized as a national resource serving as an auxiliary to the U.S. naval forces in times of war or national emergency. In recent years, the U.S. military has placed increased emphasis on the role of sealift in strategic mobility. Nonetheless, the number of ships capable of performing this vital role is declining. One need only study the Falkland Islands crisis to appreciate the value of a strong, privately owned U.S.-flag passenger fleet. Some of Britain's most valuable assets were the British-flag passenger ships employed in that encounter. These vessels provided Great Britain with the vital troop carrying and medical capabilities necessary to successfully accomplish their military objectives. More recently during the Grenada operation, the shortfall in the U.S. fleet forced the U.S. Government to contact the British government for the use of a British passenger vessel to evacuate U.S. medical students from the island. Fortunately, the crisis in Grenada was brought under control before use of the vessel was necessary. If the United States were to be involved in even a minor conflict today, it would not have strategic flexibility in troop transportation since it does not have the passenger vessels necessary to fulfill this military need. In light of the present state of world affairs, the Nation can ill afford to neglect any opportunity to rebuild its passenger vessel fleet.

In view of the critical state of the American-flag passenger cruise vessel industry, every encouragement should be given to U.S. citizens who are willing to invest their capital, their experience and their ingenuity in the expansion of this American enterprise. Thousands of shipboard and shoreside jobs would be created for American workers. Increased revenues would be realized by the U.S. Treasury from taxes on personal and domestic corporate incomes. The U.S. balance of payments would be improved by keeping American tourist dollars in the U.S. economy. More importantly, U.S. national security and its military preparedness would be strengthened.

If it were economically feasible, the Transportation Institute would encourage the construction of passenger vessels in U.S. shipyards. However, no passenger vessels have been built in the United States in over 25 years. It has been estimated that it would cost $380 million to build a competitive cruise ship in a U.S. shipyard. In 1982, a large cruise ship with all cruise facilities and amenities was built in Finland at a delivered price of $130 million. Thus, in order to compete effectively in the cruise market, a U.S. ship operator must turn to either existing or newly constructed foreign-built vessels.

Therefore and in response to the Subcommittee's inquiry, the Transportation Institute would support a legislative program which would permanently grant an unlimited number of militarily useful foreign-built vessels coastwise trading privileges in the passenger cruise industry. We believe that the Congress should limit the time period for foreign-built vessels to reflag and enter the U.S. domestic trades. Two to three years is a reasonable time period. The Congress would then have the opportunity to evaluate the effectiveness of the waiver. If more time is warranted, an extension could be passed or additional waivers could be decided on a case-by-case basis. Although it is not economically feasible to build passenger vessels in the United States, maintenance and repair work on reflagged vessels should be completed in American shipyards in recognition that the U.S. shipbuilding base must be supported.

In our view, enactment of a legislative package including these qualifications would certainly go a long way toward achieving the goal of rebuilding the U.S.-flag passenger ship fleet at a time when opportunities are scarce to rejuvenate an almost non-existent American-flag cruise industry. Without question, the implementation of such a program would prove beneficial to both the cruise industry and the American economy in general.

The Transportation Institute once again commends the Subcommittee for its interest in this critical and vital issue and stands ready to work with you in realizing the successful development of the U.S.-flag cruise industry.

Mr. BIAGGI. Thank you.

I assume most of you were here when the previous witnesses testified. Adventure Cruise states that we have shipyards that can compete effectively in quality and cost with foreign shipyards. He said the problem was in the hotel area, that they should have more latitude in their hiring practices, and that the wage structure for

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the stewards and the steward department should be more akin to the foreign cruise vessels.

He said that would make the difference.

Comments?

Mr. SIMPKINS. I think I commented to that at the beginning.

Mr. BIAGGI. Let's have it isolated. Let's have the comments isolated in response to the question.

Mr. SIMPKINS. We were suggesting basically what is the minimum wage in this category. In the hotel-type operation on board the ship——

Mr. BIAGGI. I am sure you are familiar with it, Mr. Simpkins.

Foreign crews would have——

Mr. SIMPKINS. The agreement.

Mr. BIAGGI. Different wage requirements than are required by American standards?

Mr. SIMPKINS. The ones that have the ITF agreements, the ones the unions, the seamen that belong to the unions, on an ITF affiliated, that are ITF affiliate pay basically the U.S. minimum wage.

Mr. BIAGGI. You are talking seamen, I am talking about the hotel people.

Mr. SIMPKINS. Yes; I am not talking about the others.

Mr. BIAGGI. Do you agree with Mr. Wells? That we should have to hire greater latitude foreign crews, with a different wage structure?

Mr. SIMPKINS. No; I don't agree about that.

Mr. DROZAK. Mr. Chairman, I certainly don't agree with it. First of all, I don't think U.S. shipyards can compete and build passenger ships in this country.

Mr. BIAGGI. Pardon me.

Mr. DROZAK. I don't agree that the shipyards in this country can compete with foreign shipyards in building passenger cruise ships.

Mr. BIAGGI. That was always our impression.

Mr. SIMPKINS. No. 2, the question of wages. I believe that it is clear that the two passenger ships, SS *Independence* and SS *Constitution,* has a wage rate that is compatible with to be able to compete in the domestic trade and are making money and they are booked fully. I think the pattern has been set. I don't think the American seaman should ever have to be competitive with the foreign crew which comes from all over the world, whether it is in the hotel section or not.

We are talking about the domestic trade, I believe, and not international trade.

If we are talking about international trade, that is a different subject. I would address that differently. But I believe we are talking about entering ships into the domestic trade. Standards are set in this country, you are only competing or would be competing against each other, in this country, more market outlet—the rates I believe that have been established are good rates, the people make a good living, and in return the operators make a little profit out of it.

Mr. BIAGGI. Mr. Sotir, representing Mr. Hadley, is desirous of going into Hawaii. What do you believe the impact would be on the two ships that are presently there?

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Mr. DROZAK. I don't think it would have that much of an impact. If I read his statement clearly, he was talking about running from the mainland to Hawaii, and if that is the case, I certainly believe that business is available there. I don't believe, however, that the ship he has could run the inter-Hawaiian Islands trade because the water depths are not sufficient for such a large vessel. More importantly, I believe that business opportunities for a third ship in the Hawaiian Islands, at least through indications we have seen thus for, is economically unviable.

Mr. BIAGGI. Which is pretty much what we had predicted some time ago.

Mr. DROZAK. That is correct.

Mr. BIAGGI. Two years ago we heard rumors, saw press releases, and were invited to a cocktail party celebrating the building of U.S. cruise ships. What happened to the operators who were on the verge of building?

Mr. DROZAK. Well, they must still be celebrating the cocktail party they were having 2 years ago, because no vessels have been built.

Mr. Chairman, this indeterminate situation just continues to be prolonged. Every time somebody wants to reflag a ship or otherwise get into the U.S. passenger cruise trade, people come out of the woodwork claiming to have another project or another proposal. These claims have been made for so many years, yet we still don't have any additional passenger ships.

When are we going to wake up and realize that most if not all of these fly-by-night proposals are exactly that—fly-by-night proposals. I have not seen one concrete proposal, and the only one I believe that does have any chance, which still is doubtful, is the SS *United States*, and that ship would have to get certain legal restrictions removed to convert the ship foreign. I just don't understand it; it seems that for some reason somebody is trying to prevent America from ever having a domestic passenger ship service in this country. It is just not right, and it injures America's interests, for someone to keep bringing up empty proposal after empty proposal.

As I have said, I haven't seen anything concrete since we began having these hearings 3 or 4 years ago. Look at the business we have lost in the meantime, and look at the jobs we have lost and the work in the shipyards we have lost. Thousands and thousands of people are out of work that could be working, and millions and millions of dollars of revenue which could have been benefiting this country's economy have either left the U.S. economy through foreign cruise services or have been channeled into other activities.

I just don't understand it.

Mr. BIAGGI. Mr. Sotir testified that Mr. Hadley accomplished the impossible by bringing together the unions that had heretofore been in conflict and worked out a resolution of the many differences. Is that correct?

Mr. DROZAK. I don't know of any resolutions that Mr. Hadley has worked out. I can say this, Mr. Chairman, there were meetings held by our union with Mr. Hadley back when he met with all the unions several years ago. Since that time, Mr. Hadley has dealt with various unions and has signed numerous agreements. He cannot sign agreements with the SIU which represents unlicensed

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personnel, however, because it is a violation of the law. I heard Mr. Sotir this morning that Mr. Hadley's group has a contract with the SIU. I don't know of any such contract, and if he does, I haven't seen it.

During the discussions held between Mr. Hadley and the Masters, Mates, and Pilots, Marine Engineers District 1 and District 2, National Maritime Union, and SIU several years ago, he did propose a package to us and said we should work it out. I don't know of any agreement being worked out as of yet, however.

Mr. BIAGGI. Well, maybe we cannot believe these witnesses.

Mr. DROZAK. Sometimes you cannot.

Mr. BIAGGI. I always thought they were telling the truth.

Mr. DROZAK. They have good intentions, Mr. Chairman, but sometimes they stretch it.

Mr. BIAGGI. Mr. White, you say U.S.-built vessels are viable in the Jones Act trade. Where are those vessels?

Mr. WHITE. U.S.-built.

Mr. BIAGGI. Passenger vessels.

Mr. WHITE. Say the question again.

Mr. BIAGGI. U.S.-built vessels are viable in the Jones Act trade. Where are they?

Mr. WHITE. I guess, Mr. Chairman, I have to say the possible potential is there.

Mr. BIAGGI. We are going around with the whole approach of fantasy, more shadow than substance, and that is exactly what confronts us. The committee is aware of it and we are wary of it.

I expect when testimony is given it has some substance of truth. I don't expect it all.

When you get testimony like that, that serves to mislead, I don't think anyone benefits from it.

The testimony seemed to agree that there should be a temporary window. Mr. White, you made some comments that there should be a general comprehensive study. Our experience with studies is they are endless, and we are not so sure how much of those studies are implemented, in fact. Yet, we have possibilities of bringing onstream a number of vessels. I am aware that you are filling in at the last minute, and we have that in mind.

But you say legislation shouldn't involve any particular individuals or groups, and yet we have had many experiences where a single vessel is brought to this committee's attention for exemption to the Jones Act and special circumstances justified the committee's action.

I think your statement is harking back to the Cunard vessels. It comes out very clearly in my judgment; I think that is unfortunate. I don't know whether Mr. Hadley will get his ship onstream or whether Mr. Snyder will be successful or whether Mr. Lambert will be; but if we go through the whole charade with pretty much the same players, we will not make any progress at all. I don't think the industry is being benefited at all.

We have opportunities to get some ships onstream and we are passing them by. It doesn't have to be Cunard; Cunard is more readily available. It could be Mr. Snyder's, it could be the *United States*, but they all want special treatment. Each of them wants special treatment. One is no better than the other in that regard,

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and we are prepared to give some special treatment, but I don't think we should have a "dog in the manger" attitude or have a predisposition toward one or the other.

The committee worked on Cunard, because that is what was available and had potential for creating jobs immediately. Then, you see, this whole theatrical that permeated the industry announces other U.S.-flag cruise operations; that disappeared when the bill was not enacted.

I will suggest you look at this thing, not recommend studies. Let's do what we can do immediately. We are talking in terms of government participation; we have been through that. Government involvement will not be there if you fail to recognize any as a reality. I would suggest you get a good night's sleep and look at it in the morning.

Mr. White, you seem to imply that, in the absence of a study, we could expect powerful opposition. You pledge to support the recommendations of that study even if it is export of Alaskan oil.

Mr. WHITE. I think all of these things you have just stated, Mr. Chairman, should be encompassed in the study. Every aspect of the Jones Act should be studied, including Alaskan oil.

Mr. BIAGGI. That is not the point. Suppose the study recommends it, what would you do?

Mr. WHITE. We would have to look at the study. We are in favor of a study, Mr. Chairman. Once everything has come out on the study we would like to look at it, and analyze it. We are part of the maritime industry and before we commit on it, we would like to see the whole industry unite together to solve all these problems.

Mr. BIAGGI. We all like that, Mr. White. We all like that.

There was a time when I thought that was possible. I don't know what manifestation of miracle would have to occur to bring that about. If common sense prevailed, there would be unity—in the interim, we are all participating in and witnessing the demise of an industry. There will be some survivors.

Mr. Simpkins, in theory I strongly agree the foreign cruise operators should be subject to the same rules as U.S.-flag operators and in Miami we spoke to them. They say, if that occurred they would move to foreign ports and not call on U.S. ports with the resulting loss of many, many jobs and millions of dollars of business in the Miami area and other areas.

How would you deal with it?

Mr. SIMPKINS. Mr. Chairman, first of all, I doubt if that would happen. I question if that would happen.

Mr. BIAGGI. It seems to me they wouldn't make Miami a port of call; just make it home port.

Mr. SIMPKINS. I think they would stay with Miami.

Mr. BIAGGI. Are you willing to risk it?

Mr. SIMPKINS. Yes.

Mr. BIAGGI. You are a hell of a crap shooter.

Mr. SIMPKINS. Mr. Chairman, I don't want to argue with you.

Mr. BIAGGI. We are not arguing.

Mr. SIMPKINS. Just a couple of comments I would like to make, in case you are just passing by—one, union conflict; two, dog-in-manger.

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If I can believe what I heard this morning, we cannot be considered in each, even though the implication is that we are. If it is going back to the Cunard legislation of last year, I hear today that we are on neither ship.

Mr. BIAGGI. What?

Mr. SIMPKINS. We are on neither ship. If that is the case—and I can't see how we could be considered as a dog-in-manger——

Mr. BIAGGI. Mr. Simpkins, you know, I would really like to talk to you—you and I privately. Please don't attempt to delude the committee. We all know the facts and realities of the situation. Don't tell me about the legalities of it. We are sensitive to all of that.

You know what I am talking about. If there could have been a meeting of the minds with relation to the two unions in question, there wouldn't have been any problem. That is where the whole opposition came from; nowhere else.

Even in Mr. White's statement—Mr. Fields?

Mr. FIELDS. Thank you, Mr. Chairman.

Mr. Drozak, a while ago there was a statement that sometimes you can't believe witnesses, and also a recognition that sometimes people testify in good faith. And I want to give you an opportunity to clarify a statement that was made 2 years ago in response to a question posed by one of my colleagues regarding the precedent set by allowing piecemeal exceptions to the Jones Act and wholesale exceptions that might follow.

You responded:

> If you gave a blanket, then you would destroy the domestic trade. There's is only so much of the domestic trade there, as we view it, in the passenger services. And I believe it's suitable enough to handle the two ships that we presently got out—these two ships and a couple more. But I think if you open it up—domestic trade—further than that, then you would destroy what we are trying to do.

Today, you are calling for a blanket window. Could you clear up what appears to be a contradiction?

Mr. DROZAK. Certainly, I will.

Two years ago, when I made that statement, we had not seen any comprehensive studies on the potential of the U.S. domestic passenger market. Since that time, we have seen such studies, and we find they show there is the potential for some 12 to 15 ships in the domestic market, and maybe more. You have the study, and I assume you have had an opportunity to look at it, too, the Harbridge House study.

If you read my testimony this morning, there are 48 million people who take at least one 7-day vacation each year. We believe that they can be convinced to cruise on U.S.-flag passenger vessels. And as has been testified, Congressman Fields, by witnesses here today and some 2 years ago, we shouldn't be looking out for any particular special interests. I have changed my position to say, "let's open the window for a period of time and let everybody in because the availability of the service is there." We believe this, and the studies support this contention.

That is why my position has changed.

Mr. FIELDS. Mr. Drozak, what study are you referring to?

Mr. DROZAK. The Harbridge House study.

Mr. FIELDS. Which study?

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Mr. DROZAK. The Harbridge House study.

Mr. FIELDS. The Harbridge House study?

Mr. DROZAK. Yes, the Harbridge House study.

Mr. FIELDS. Who commissioned and paid for that study?

Mr. DROZAK. The Transportation Institute.

Mr. FIELDS. Are they associated with your union?

Mr. DROZAK. No. They are associated with those shipowners that have contracts with the SIU. We also do studies, Mr. Fields, on a lot of issues important to the maritime industry.

Mr. FIELDS. Do you have a prehire contractual agreement with Cruise America?

Mr. DROZAK. No, I do not. I don't have one with Hadley, either, as Mr. Satir so quoted this morning.

Mr. FIELDS. You clarified that a moment ago.

Mr. DROZAK. He did?

Mr. FIELDS. I said I think you did.

Mr. DROZAK. I hope I did. I don't want any of you to drag me into court accusing me of arranging a prehire agreement.

Mr. FIELDS. Mr. Snyder indicated in discussions with my office he intends to man his cruise ships with unlicensed SIU personnel and nonunion officers of the Signet Corp.

Do you support that arrangement?

Mr. DROZAK. I was not here for Mr. Snyder's testimony, I don't know what he said this morning.

Mr. FIELDS. He did not testify this morning.

It is my understanding, in discussions with my office, that is Mr. Snyder's——

Mr. DROZAK. I do have a contract with Mr. Snyder to man other vessels for his company. I guess if he built or acquired a passenger ship, a contract with the SIU might logically follow. The SIU has had a contract with him for 10 years in the steamship business I would certainly attempt to contract any passenger vessels he brought on line, yes.

Mr. FIELDS. Also, you were aware of the arrangement and had no problems with nonunion licensed personnel serving on those vessels?

Mr. DROZAK. Mr. Snyder has never talked with me about nonunion officers. There would never be nonunion officers on board any ship the SIU had a contract on. You can bet on that.

Mr. FIELDS. Mr. Luciano, who commissioned the study?

Mr. LUCIANO. As Mr. Drozak testified, the Transportation Institute did.

Mr. FIELDS. Through its members?

Mr. LUCIANO. Yes, through our member companies. We have approximately 170 member companies.

Mr. FIELDS. Do you know Mr. Lambert?

Mr. LUCIANO. Do I know Mr. Lambert? Yes, sir.

Mr. FIELDS. Did you consult with him on the study?

Mr. LUCIANO. No, sir.

Mr. FIELDS. Did someone in your group consult with him during the study?

Mr. LUCIANO. Not that I am aware of. I was not personally involved in it.

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Mr. FIELDS. He testified a little earlier, if I remember his testimony, that someone consulted from your group.

Mr. LUCIANO. I am not aware of it.

Mr. FIELDS. Do all of your member companies support waivers of the Jones Act for passenger ships?

Mr. LUCIANO. We have not polled each and every member, but our position is one that I think broadly represents the interests of our constituency. In fact, this has been a matter of some discussion among our members. I think there is a general consensus that things that strengthen the U.S. Merchant Marine in general are useful.

This particular trade that we are discussing today—and you raise a valid and interesting question—is one that we thought about a great deal and discussed with a large number of people, including many of our constituents. We concluded that in this case, in this case of the passenger ship cruise industry, we are talking about business which is new business, which essentially does not compete with substantial existing businesses, and which can strengthen the economic viability of the U.S. Merchant Marine as well as national security.

With those considerations in mind, we concluded that this effort was worthwhile and on balance represented a substantial contribution to the U.S. Merchant Marine.

Mr. FIELDS. Is America Hawaii Cruise Lines a member of TI, too?

Mr. LUCIANO. It is.

Mr. FIELDS. Do they support your Jones Act waivers?

Mr. LUCIANO. So far as I know, they do not have any difficulty with the position we have taken today.

Mr. FIELDS. Thank you, Mr. Chairman.

Mr. BIAGGI. Thank you very much, gentlemen.

[Whereupon, at 1:10 p.m., the subcommittee adjourned, subject to the call of the Chair.]

[The following was submitted for the record:]

[Invitation Letter]

HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
*Washington, DC, April 12, 1985.*

[Name]

DEAR [SAL]: The Subcommittee on Merchant Marine will hold an oversight hearing on the passenger cruise ship industry on Tuesday, May 7, 1985. The hearing will begin at 9:30 a.m. in Room 1334 Longworth House Office Building.

During the 98th Congress, the Subcommittee on Merchant Marine and Fisheries considered several legislative initiatives dealing with expanding the U.S.-flag cruise ship fleet. However, none of those proposals were enacted into law. I hope to develop consensus legislation that will assist in the revitalization of the U.S.-flag cruise ship industry, and your ideas will be of great value in drafting such a bill. While welcoming all suggestions, testimony on the following would be particularly helpful:

(1) Should the law be amended to permit the temporary or permanent granting of coastwise trading privileges for foreign-built cruise ships?

(2) Should there be a limitation on the number of cruise ships permitted to excercise the option outlined above?

(3) Should there be a time limitation on extending coastwise privileges to foreign-built cruise ships (the "temporary window" approach)?

(4) What other restrictions should be placed on foreign-built cruise ships seeking coastwise trading privileges?

(5) Should the law be amended to allow a cruise ship to be partially built in a foreign yard and retain its coastwise privileges?

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(6) To what extent should cruise ships built in the U.S. be permitted to be reconstructed in a foreign shipyard?

Should your organization desire to express its views, the Subcommittee would be pleased to include your representative on our witness list. If in lieu of a witness you would prefer to submit a statement for the record, that would be satisfactory. Note that 75 copies of your testimony must be received by 5:00 p.m. on May 3rd, and that your oral presentation must be limited to ten minutes.

Please advise Ann Mueller, the Subcommittee Clerk, at (202) 226–3500 of your intentions as soon as possible so that an appropriate time can be set aside for your testimony.

Sincerely,

MARIO BIAGGI,
*Chairman, Subcommittee on Merchant Marine.*

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HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
*Washington, DC, May 3, 1985.*

To: Members, Subcommittee on Merchant Marine.
From: Majority and minority staffs.
Subject: May oversight hearing on U.S.-flag passenger cruise ship industry.

INTRODUCTION

On May 7, 1985, the Merchant Marine Subcommittee will conduct an oversight hearing on the U.S.-flag passenger cruise ship industry. Currently, U.S.-flag vessels participate to an extremely limited degree in this activity and the hearing will examine whether changes in existing law would encourage and facilitate U.S. participation. While some feel that current law provides adequate opportunity for U.S.-flag participation, others have argued that the foreign acquisition or rebuilding of ships is necessary to create a competitive passenger fleet.

In letters to prospective witnesses, Chairman Biaggi requested they address the following questions:

(1) Should the law be amended to permit the temporary or permanent granting of coastwise trading privileges for foreign-built cruise ships?

(2) Should there be a limitation on the number of cruise ships permitted to exercise the option outlined above?

(3) Should there be a time limitation on extending coastwise privileges to foreign-built cruise ships (the "temporary window" approach)?

(4) What other restrictions should be placed on foreign-built cruise ships seeking coastwise trading privileges?

(5) Should the law be amended to allow a cruise ship to be partially built in a foreign yard and retain its coastwise privileges?

(6) To what extent should cruise ships built in the U.S. be permitted to be reconstructed in a foreign shipyard?

BACKGROUND

The U.S.-flag passenger cruise industry has declined over the past two decades to a point where it is almost nonexistent. In the late sixties, there were 20 active passenger and passenger/cargo vessels flying the U.S. flag. Today, only two large U.S.-flag luxury passenger vessels are in operation (SS *Constitution* and SS *Independence*).

Exploration Holidays and Cruises and American Cruise Lines Inc. each operate four smaller vessels accommodating between 56–145 passengers. Additionally, there are two steamboats, the *Delta Queen* and *Mississippi Queen*, operating on the Mississippi and Ohio Rivers and other small passenger ships in the coastwise trade. The shallow water vessels and riverboats serve a different market than the oceangoing cruise vessels.

While there is only one U.S. company operating two large oceangoing cruise vessels there are 18 foreign operators using 53 oceangoing vessels in the North American market.

Because of the higher cost of U.S. operation, it might be difficult for a U.S.-flag vessel to effectively compete head-on with these foreign operators. At the same time, it is possible that Government action aimed at increasing the costs of foreign operators, so as to eliminate the cost differential, might force the foreign operators to cease operating out of U.S. ports with a disastrous impact on those ports and related

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services. Existing U.S. law relating to coastwise privileges (i.e. the authority to stop at more than one coastal point) seemingly gives U.S.-flag carriers an advantage without driving foreign operators to foreign ports.

The U.S. Customs Service is presently considering promulgating new administrative rules that would change the existing rules regarding stops at U.S. ports by foreign-flag passenger ships. Existing law prevents a foreign vessel from transporting passengers between U.S. ports, either directly or by way of a foreign port. Customs rules implementing that law allow a foreign vessel to stop at a U.S. port if it does not remain there for longer than 24 hours. However, passengers embarking from a U.S. port on a foreign vessel who go ashore temporarily at a subsequent U.S. port where the vessel remains for more than 24 hours are considered transported in violation of the U.S. coastwise laws.

The new rule would change the "24 hour rule" and allow a foreign vessel leaving one U.S. port to land passengers at other U.S. ports for longer periods, if the passengers come back on board the same vessel and depart with it when it leaves port.

U.S. law requires that a vessel engaging in the coastwise trade must:

(1) be documented under the U.S. flag,

(2) be crewed by U.S. citizens, and

(3) be built in the United States.

Without question, the combination of U.S. building and crew costs would make it economically impossible for a similarly configured U.S. cruise ship to compete with the existing foreign-flag fleet in those trades involving both U.S. and neighboring foreign ports. Many argue that either of the latter two requirements, alone, would be prohibitive.

The same result, however, is not so readily apparent in projecting the economic viability of a coastwise U.S. cruise ship trade. Many cruise ship industry experts have questioned, whether a coastwise U.S. cruise ship industry can attract sufficient clientele to match the foreign-flag competition, even though direct, head-to-head competition would be avoided.

As far back as 1936, Congress recognized the higher cost of constructing a vessel in the United States. Today, the construction cost differential to build a ship in a United States shipyard is approximately two to three times greater than in a foreign shipyard. Since no oceangoing passenger vessel has been built in the United States since the late 1950's, it is impossible to precisely determine the cost differential for cruise ships.

With reference to U.S. documentation it should be noted that a change in documentation (reflagging) is relatively simple, and clearly some foreign-built vessels could meet the Coast Guard requirements and reflag. However, foreign-flag operators currently see no justification for reflagging. It has been suggested that granting these reflagged vessels coastwise trading privileges would offer an inducement for operators to reflag and hire U.S. crews.

### ACTION IN 98TH CONGRESS

In the last Congress, two bills—H.R. 2883 and H.R. 4333—dealt with the revitalization of the domestic cruise industry. H.R. 2883 would have allowed two foreign-flag, foreign-built passenger vessels, the *Cunard Princess* and the *Cunard Countess*, to be documented as vessels of the United States and to transport passengers in the coastwise trade.

H.R. 2883 was the subject of two days of hearings. It was subsequently amended to provide that if these vessels were granted coastwise privileges they would have to:

(1) perform all repairs, alterations, and rebuilding in a U.S. shipyard,

(2) refrain from operating on substantially similar routes as a comparable U.S.-built vessel, and

(3) withdraw within six months from the coastwise Gulf trade if a comparable U.S.-built vessel entered the trade.

The bill was called up on the Private Bill calendar and two objections were heard thus sending the bill back to the Committee.

H.R. 4333 had the same goal as H.R. 2883 but did not specifically name the Cunard vessels. The bill was never the subject of a separate House vote. However, during the floor consideration of H.R. 5167, the Defense Authorization bill, a modified text of H.R. 4333 was offered as an amendment and was adopted by a 237–159 vote. That provision, however, was later deleted in the House/Senate conference on the bill.

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CURRENT ISSUES ON THE CRUISE TRADE

The two primary issues likely to be raised by witnesses are reflagging and the extent U.S.-built vessels should be permitted to reconstruct overseas.

*Reflagging*

Proponents of granting coastwise trading privileges to reflagged vessels make the following arguments:

(1) U.S.-flag cruise ships are essential to national defense. In addition to their contribution to the domestic economy, they can perform the important sealift functions of troop transports and hospital ships.

(2) No operator has built in the last 30 years, nor will build in the U.S. because of the higher cost differential. Neither will an operator reflag without coastwise privileges because reflagging will just increase crew and other costs without any benefit to the operator.

(3) The use of foreign-built ships in the Jones Act would create a substantial number of seagoing jobs, and would provide some shipyard maintenance and repair work.

(4) The granting of coastwise privileges will encourage stops at U.S. coastal ports, rather than foreign ports, with a positive economic impact on U.S. ports and balance of payments.

Opponents of reflagging argue that:

(1) This is an unprecedented breach of the Jones Act, which will severely harm U.S. shipyards.

(2) Currently, there are owners of laid up U.S.-built vessels who plan to utilize these vessels in the cruise trade. Reflagged vessels would have an unfair competitive advantage over these U.S.-built vessels, discouraging investment in the projects to reactivate the U.S.-built vessels.

*Foreign rebuilding*

Proponents of foreign rebuilding argue that:

(1) Economic necessity requires that they rebuild their U.S.-built ships overseas.

(2) The work they expect to have done is not traditional "maritime" work, but rather "hotel" type work.

(3) If these ships were permitted to rebuild in a foreign shipyard and retain coastwise privileges the same type of benefits pointed to by proponents of foreign acquisition would occur (e.g. oceangoing jobs for Americans, increasing the size of our merchant fleet).

Opponents of foreign rebuilding argue that U.S. shipyards are currently in urgent need of work and this diversion of work to foreign yards will have a severe adverse impact.

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U.S. DEPARTMENT OF TRANSPORTATION,
MARITIME ADMINISTRATION,
*Washington, DC, June 21, 1985.*

Hon. GENE SNYDER,
*House of Representatives,*
*Washington, DC.*

DEAR MR. SNYDER: Enclosed are responses to the three questions you sent on behalf of Congressman Jack Fields following the Subcommittee's May 7th hearing on the revitalization of the U.S.-flag cruise industry.

Please let me know if I can be of further assistance.

Sincerely,

GARRETT E. BROWN, Jr.,
*Acting Deputy Maritime Administrator.*

Enclosure.

*Question 1.* Admiral Shear, it is often difficult, if not impossible, to foresee all of the consequences which might flow from special interest legislation. Regarding the current Title XI matter, were you aware at the time that the build-foreign provision enacted in 1981 for subsidized liners to replace aging tonnage could be sold to others—as we have seen in the plans between C.C. Wei and APL?

Answer. The question of selling foreign building permissions did not arise at the time the foreign building authorization was enacted in 1981. Those companies applying for foreign building permission in 1981 did so on their own behalf.

*Question 2.* I have heard it said that over the years that the Title XI loan guarantee program has generated more vessel construction than CDS ever did. I have been

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reading with considerable distress the various news reports with respect to the millions of Title XI loans now in default. With the program in such severe jeopardy, should prospective operators, particularly those interested in building American cruise ships, even bother to submit a Title XI application? What steps are you planning to take to save the program?

Answer. We are, of course, deeply concerned with the difficulties being experienced by many sectors of the maritime industry. The current downturn in the industry has been longer and more severe then had been anticipated. However, as with any industry, there are always growth segments even during the most difficult times. Certain aspects of the cruise ship industry fall into this growth category. As such, we would certainly accept the submission of Title XI applications for this type of project.

Like any new Title XI application being submitted, applications involving cruise ships would have to comply with the new regulations published on March 8, 1985. These regulations, among other things, clearly define the requirements for a project receiving Title XI financing. One of the principal aims of these regulations is to make prospective applicants aware of the policy and procedures that MARAD has developed over the last few years to reflect the changing environment of the maritime industry. These regulations also specify the criteria for providing assistance to existing Title XI shipowners.

Although the level of defaults and payoffs that have occurred over the last few years as a result of the financial difficulties in the maritime industry is significant when viewed independently, in terms of the overall $7 billion Title XI program they should not be considered as the demise of the program.

MARAD will continue to apply the new regulations which tighten the parameters in which we operate and which will strengthen the program's position in the future. In the meantime, we will work with the industry and the Congress for economic and legislative solutions with an end to solving our problems.

*Question 3.* Why, in light of the high degree of interest in the revitalization of the U.S.-flag passenger fleet, has MARAD never updated its 1980 study of the cruise ship industry, commissioned by MARAD and prepared by Centaur Associates? I believe the study was entitled "Analysis of the North American Cruise Industry" and completed in October 1980, well before the enactment of the tax incentives designed to stimulate U.S. shipbuilding. Don't you think there is a need to update this study?

Answer. Since that study was published, MARAD has undertaken its own internal studies and continues to monitor the cruise market. In addition, during this time period MARAD has been provided with several independent studies which were undertaken for third parties. Given this information, MARAD has no plans, at this time, to commission another independent study of this market.

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STATEMENT OF PAUL H. WELLS, PRESIDENT, ADVENTURE CRUISE LINES

My name is Paul Wells. I am the president of Adventure Cruise Lines.

I believe I am in a unique position to comment upon the subject of this hearing. Since 1972 I have been associated with companies operating foreign-flag passenger ships and have directly observed the anomaly of massive growth of the American cruise trade while United States-flag ships have virtually vanished from the seas.

In my view the time is right to begin to reverse this trend. To that end, Adventure Cruise Lines is currently designing a passenger ship to be constructed in the United States, documented under United States-flag, manned by Americans and to be operated in the American cruise trade. We have been working on this project for one year and anticipate awarding a shipyard contract by late summer of this year.

We believe the price which we will pay for this new ship will allow it to be competitive with foreign-built ships. Generally speaking, shipbuilding in the United States is perceived to be, and in many instances is, quite costly. I believe, however, there are shipyards in the United States that can compete with any yard in the world, both in price and quality. These yards have a proper balance of management and low overhead. They also employ modular construction rather than constructing the vessel as a whole, which permits much smaller yards to compete. In addition, the use of prefabricated interior bulkheads, bathrooms and other facilities has greatly reduced the requirement for skilled craftsmen to fabricate these items in place on the vessel.

The success of our proposed venture depends upon retaining certain provisions of United States law designed to support United States-built and operated ships. These include, of course, the Jones Act, as well as the tax deduction for conventions on U.S.-flag ships. In addition, continuance of the present law governing investment

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tax credit and accelerated depreciation is essential to our venture and to promote growth in the industry.

The biggest handicap which United States-flag ships face today vis-a-vis their foreign-flag competition is the labor rates which U.S.-flag operators must pay to United States crews. In my view, consideration should be given to permitting a more open market approach to hiring of shipboard personnel. For example, minimum wage and working hour laws for shipboard personnel should be relaxed. The nature of the passenger or cruise industry is such that crew members engaged in servicing the passengers, in addition to the salary they receive, are provided with free room and board and health insurance. These service personnel also receive tips from the passengers. This produces a healthy level of income for the type of work involved. Licensed personnel must be paid commensurate with their foreign counterparts. Base wages of American and foreign licensed personnel are roughly comparable. In the area of fringes or perks, however, American licensed and unlicensed personnel receive far more than their foreign counterparts.

My specific answers to the questions in Chairman Biaggi's letter of April 12, 1985, are that the law should not be amended to permit the temporary or permanent granting of coastwise trading privileges to foreign-built cruise ships. I do not believe the law should be amended to allow a cruise ship to be partially built in a foreign yard because, as I stated, I believe United States yards can be competitive in cost and quality with foreign yards. I also believe that it would be a benefit to permit the reconstruction of U.S.-built ships in foreign yards without the loss of coastwise trading privileges, since the modular construction techniques which permit U.S. yards to be competitive with respect to new buildings generally do not apply to such reconstructions.

I thank you for the opportunity to present my views to this subcommittee.

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HILL, BETTS & NASH,
*Washington, DC, May 6, 1985.*

Hon. MARIO BIAGGI,
*Chairman, Subcommittee on the Merchant Marine, Committee on the Merchant Marine & Fisheries, Washington, DC.*

DEAR MR. CHAIRMAN: This letter statement is filed on behalf of Floating Through America, Inc., a New York corporation organized for the purpose of operating luxury cruise vessels on the inland waterways of the United States.

Floating Through America, Inc. applauds the Merchant Marine Subcommittee's efforts to stimulate the United States' cruise ship industry. As the largest cruise market in the world, the United States flag should claim a larger portion of the tonnage serving it. Floating Through America, Inc. welcomes the Subcommittee's interests and efforts to improve the climate for U.S.-flag participation in this trade.

Floating Through America, Inc. is currently planning to enter the U.S. cruise industry by offering unique luxury tours along America's waterways. The company's experience is based on its founder's operation of Floating Through Europe, Inc., a similar luxury cruise operator offering European tours by water since 1977. The company has developed plans and specifications for the vessels it requires operating and will soon be requesting bids from American shipyards for the construction of up to six, forty-six passenger vessels, the first two to be built this year. These vessels will operate up the Hudson River from New York. In the fall, they will sail south to Williamsburg, Savannah and Florida. Other itineraries will include the Tennessee River and upper Mississippi.

As a fledging participant in this market, Floating Through America, Inc. is greatly concerned over proposals to permit foreign built tonnage into the domestic passenger trades. Although the company is willing and anxious to invest in new U.S. built tonnage, it must be cognizant of the differences in the cost of construction between the U.S. and world markets. As the company's investment is based upon the current legal requirement for U.S. construction, any change in the current laws would adversely affect Floating Through America and other similarly situated shipowners who have recently paid for American constructed vessels, by forcing them to compete with companies favored by cheaper foreign-built vessels with lower capital costs.

Moreover, there is certainly no reason to change the law now. The U.S. cruise market is slowly beginning to revive. As a result, domestic shipyards are beginning to benefit from the American-build requirement. Since 1975, several vessels have been added to the once moribund U.S.-flag passenger fleet. These vessels have meant jobs both on the water and on shore.

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The present U.S.-build requirements are conducive to the nation's economy, employment, trade and environment. Any change undertaken would not only damage the prospects for achieving these goals in the future, but would also injure the interests of those who have made conscientious efforts to comply with current legal requirements.

In furtherance of promoting and developing the United States' maritime industry, any proposals to allow foreign-built vessels in the coastwise trade should be rejected by the Subcommittee.

Sincerely,

HILL, BETTS & NASH,
*Attorneys for Floating Through America, Inc.*

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[From the Washington Post, May 7, 1985]

## SHIP FIRMS GET UNINTENDED TAX BREAK

(By Jack Anderson and Joseph Spear)

Shipping companies have avoided millions of dollars in federal taxes and the Maritime Administration may have violated the law to let them do it, according to the Transportation Department's inspector general.

The vehicle for these unintended tax breaks is the Capital Construction Fund Program, created in 1971 to help U.S. shipping firms raise money to expand their merchant fleets. The companies could defer income tax on deposits they made to the fund, then draw against the money when they decide to build more ships.

The program was designed to encourage the companies to compete in international trade routes with other countries' merchant fleets. And the law is explicit in allowing withdrawals from the fund only for building ships that will carry goods to and from the United States. But the IG found that the maritime agency had allowed the companies to use the fund for ships in unqualified operations.

The result was a multimillion-dollar tax dodge permitted by the Maritime Administration, according to the IG. In profitable years, the shipping companies would dump money into the construction fund to cut down on their taxes. In lean years, little or no deposits were made because "they would not result in a tax savings."

By rights, they should have paid the deferred taxes if they used the money for unqualified ships. But in practice, Maritime approved the questionable withdrawals, the IG found.

More than $173 million in withdrawals was found by the IG to have been used to build ships not authorized by the law. "Up to $79.9 million in government revenue was lost as unpaid deferred taxes on the withdrawals," according to the IG report, which was obtained by our associates Corky Johnson and Donald Goldberg. And assuming a 10 percent cost of borrowing to make up this lost tax revenue, "the U.S. Treasury's annual financing cost increased by up to $7.9 million," the IG pointed out.

"There is no assurance [the] deferred taxes will ever be collected," the IG report states, adding, "While such tax deferral-avoidance benefits make this program very popular with the companies involved, the benefits being received are far greater than those intended."

Maritime officials dispute the IG's contention, insisting that the shipping companies eventually do pay back the tax money. But for various reasons—changes in tax laws or collapse of shipping companies—the agency's statement "that 'deferred taxes are recouped with no loss to the government' is just not correct," the IG stated.

The evolution of the construction fund into a tax shelter, with Maritime's blessing, was made clear in one example cited by the IG. A company that had never made a deposit to the fund suddenly dumped in $10.4 million with the agency's approval. This enabled the company "to avoid additional taxes."

The IG cited as an example of unauthorized ships built with the fund 55 vessels costing $97 million for use in oil service in Africa, Mexico, South America and the Middle East by Houston Natural Gas Corp. of Texas. Tidewater Inc. of Louisiana and Nicor Inc. of Illinois also used the fund to build ships for operations that were not qualified, according to the IG.

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STATEMENT OF JOSEPH H. HALLISSEY, CTC, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF THE AMERICAN SOCIETY OF TRAVEL AGENTS, INC. [ASTA]

Mr. Chairman, the American Society of Travel Agents, Inc. (ASTA) is pleased to have this opportunity to advise you of our willingness to support your efforts to explore ways to bring about the revitalization of the U.S. flag cruise ship industry. ASTA, as a trade association, represents over 20,000 travel agents in 138 countries around the world. ASTA is dedicated to the continued enhancement and improvement of the travel agent industry and encourages good business practices and high ethical standards within the industry.

The majority of ASTA members sell travel in the United States. The cruise ship industry is one of the fastest growing segments of the travel and tourism industry. We find that more and more people want to take cruises for they are finding it to be a most pleasant experience and an exciting way to travel. Last year alone over two million people took cruises.

ASTA is concerned, as you are, that there appears to be no real increase in the U.S. flag ship presence in the U.S. domestic cruise market. It also appears that there are no domestic cruise ships under construction at this time. It is for this reason that we clearly support the efforts of you and your subcommittee in trying to find ways to increase the American presence in this ever expanding market. We do feel, however, that the cruise ships, a majority of which are foreign owned, are heavily utilized by our clients, the American travelling public. Most of them sail from U.S. ports—1.7 million cruise passengers left from the U.S. port of Miami last year. Equally large numbers sailed from the port of New York and Los Angeles. The U.S. economy receives the benefit of monies spent by cruise passengers going to and from these ports of embarkation. Often times passengers spend time in the port prior to departure and also after returning from the cruise.

Because U.S. citizens as well as our economy benefit from the operations of these cruise lines, be they domestic or foreign owned, ASTA supports your efforts in assisting in the growth of the U.S. cruise line industry. It is clear from the authoritative 1984 Harbridge House study of the U.S. Deep Sea Coastal Cruise Market that the cost to build a large cruise ship in the United States is too great and, therefore, it is doubtful that any will be built in the near future. In light of this, ASTA supports the following alternatives: (1) granting foreign built ships the right to be temporarily or permanently reflagged for coastwise trading privileges; (2) permit vessels partially built in foreign shipyards to engage in the coastwise trade; and (3) permit U.S. built vessels reconstructed overseas to retain their coastwise trading privileges. It is for the above mentioned reasons that ASTA supported the sale of Cunard Line's Princess and Countess ships to operate in the U.S. coastwise trade.

ASTA contends that the foreign cruise lines have been seriously discriminated against by disallowing tax deductibility for those passengers attending conventions on foreign owned cruise lines while deductibility for the same costs is granted for conventions held on U.S. flag cruise ships. Accordingly, several members of the cruise line industry have indicated that statistics show they lost some 20% of their clients due to this change in the tax law.

ASTA feels strongly that this discriminatory provision in our tax code should be eliminated and all persons attending conventions on either foreign or U.S. owned cruise ships should be able to deduct the expenses incurred as long as it concurs with the present IRS guidelines.

As further means of increasing the desire to cruise in the U.S., ASTA feels strongly that more ports should be encouraged to accept both foreign and domestic owned cruise lines. In order to expand the number of ports of call that foreign owned cruise lines can utilize, we urge the removal of the 24-hour port regulation ruling currently in effect. We feel that the jobs created and revenue generated by various U.S. ports would greatly enhance the local economies, not to mention the additional taxes created for the federal government as a result of the purchases in these U.S. cities.

Finally, ASTA is looking for ways to protect the travelling consumer from the losses they suffer when cruise lines fail to provide the services they advertise and promise.

In summary, ASTA would like to reiterate our strong support of your efforts and express to you ASTA's willingness to work with you and your subcommittee staff in developing programs and legislation which will bring about a greater presence of U.S. owned and operated flag passenger cruise ships.

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INTERNATIONAL COMMITTEE OF PASSENGER LINES,
*New York, NY, June 6, 1985.*

Hon. MARIO BIAGGI,
*Chairman, Subcommittee on Merchant Marine and Fisheries, U.S. House of Representatives, Washington, DC.*

DEAR MR. BIAGGI. The International Committee of Passenger Lines (ICPL) is pleased to submit the following remarks in response to your letters of April 12th and March 11th, 1985, concerning the oversight hearings of your Committee. We hope that our remarks will assist you and the Subcommittee in your deliberations and we invite you to place this letter in the record developed for the May 7, 1985 hearing.

ICPL consists of the 19 cruise lines shown in the attached list. These companies own or operate some 80 foreign-flag cruise vessels worldwide. These vessels accommodate more than 85 percent of international cruise travel, a substantial share of which to and from ports in the United States, the Caribbean and other western hemisphere countries.

In your letters you solicited ICPL's views and comments, first on the passenger cruise ship industry, particularly its impact on the U.S. economy, and second on possible legislation proposals designed to assist in the revitalization of the U.S.-flag cruise ship fleet.

With respect to the first item, the testimony submitted at the April 10th field hearing in Miami shows that the cruise industry operating in the foreign commerce of the United States contributes substantially to the U.S. economy, estimated at more than $1.5 billion in direct payments to U.S. business enterprises, large and small, for vessel handling, labor, provisions, fuel, sales and other costs. More than $300 million alone is paid to domestic airlines/airport transfer services to bring the passengers from their homes to the ship and return, and an estimated $75 million is paid annually to U.S. shipyards for repairs and overhaul. As such payments for U.S. goods and services flow through second and third hands, broad benefits accrue to the U.S. economy including an estimated 100,000 jobs or more, ranging from management, sales and engineering to skilled and unskilled labor.

ICPL consideres the cruise industry to be an important part of the larger international travel and tourism industry, a considerable share of which originates in the U.S. market, in that cruise passengers purchase recreation and leisure activities rather than transportation. The cruise lines are intensely competitive with one another in every respect and they must further compete with other recreation and leisure suppliers for the tourism dollar. Such competition provides the traveling public with a wide range of attractive price and service alternatives and therefore encourages the growing popularity of shipboard vacations. Consequently, we believe that the questions raised in your April 12th letter must be answered within the framework of whether any proposed Subcommittee legislation is pro-competitive.

In response to your questions we therefore respectfully suggest that any legislation intended to encourage and assist American cruise operators should be directed to eliminating unnecessary or outdated impediments to their ability to compete in the international cruise trade. U.S.-flag passenger vessels were retired from the trade in the 1960's, not because of unfair competition, but because point-to-point transportation was no longer profitable and the vessels were not designed or suited for the international cruise market. We believe that steps taken to enable U.S. vessel owners to compete in the international cruise market would be to the benefit of the traveling public and the U.S. economy.

We believe that restrictions imposed on vessels of whatever nationality tend to divert the business to other shores to the detriment of U.S. ports and all concerned.

It would seem therefore that the legislative approaches summarized in your letter would be helpful to the extent the alternatives enable the American entrepreneurs to build or convert cruise tonnage at internationally competitive prices and to operate such vessels in any market of their choice.

ICPL would again express its appreciation for this opportunity to present these views on this subject, and we hope these remarks will assist you in your work on this important subject. Should you feel that we could be of further assistance please do not hesitate to call on us.

Respectfully yours,

JOHN H. REURS,
*Chairman, New York Committee*
*of International Committee of Passenger Lines.*

Enclosure.

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LIST OF MEMBERS, INTERNATIONAL COMMITTEE OF PASSENGER LINES

Bahama Cruise Line, Carnival Cruise Lines, Chandris America Lines, Costa Line, Cunard Line Limited, Eastern Cruise Lines, Epirotiki Lines, Holland America Line, Home Lines, Norwegian Caribbean Lines, Ocean Cruise Lines, Pearl Cruises of Scandinavia, P&O Cruises, Premier Cruise Lines, Royal Caribbean Cruise Line, Royal Viking Line, Scandinavian World Cruises, Sitmar Cruises, Sun Line Cruises.

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JOINT MARITIME CONGRESS,
*Washington, DC, June 21, 1985.*

Hon. MARIO BIAGGI,
*Chairman, Subcommittee on Merchant Marine,*
*House Merchant Marine & Fisheries Committee, Washington, DC.*

DEAR CHAIRMAN BIAGGI: On behalf of the Joint Maritime Congress, an association representing more than a hundred U.S.-flag steamship companies that operate in the domestic and foreign trades of the United States, I would like to reiterate our continued opposition to proposals to reflag foreign-built passenger ships for the Jones Act trades. Whether the number proposed for re-flagging is two, as was the purpose of last year's CUNARD proposal, or whether the number is four or six, as some now advocate, we remain opposed to piecemeal, special-interest exceptions to the Jones Act.

To propose waiver legislation for foreign-built cruise ships at this time will damage the legitimate plans of operators who want to build their passenger vessels in the United States; it will take away jobs from American merchant mariners by limiting a trade with great promise to just a few, possibly only two, vessels; and it does nothing to help our real defense sealift needs since we already have many troop carrying Navy vessels (indeed, the Department of the Navy asserted, in writing, "that permitting the CUNARD ships to operate in the U.S. coastwise trades would not provide a clear and direct [national defense] benefit to the Navy"); and for a NATO conflict, we can draw on the passenger cruise vessels of our NATO allies, many of which are homeported in the United States anyway.

But perhaps what troubles us most of all is that this divisive, special-interest reflagging proposal should be raised at all this year. Our industry is under budgetary assault; it is under tax assault; it is under assault by those who would abolish agricultural cargo preference, an inviolable part of our maritime laws for more than thirty years. The very last thing our industry needs, in a time of genuine crisis, is a recurrence of the pernicious battle that consumed the attention of much of our industry in 1983 and 1984. We simply have far more important challenges than pursuing once more an issue that the Congress and the Administration have refused to endorse despite two years of intense effort.

I trust that these comments can be included in the hearing record on this subject.

Sincerely yours,

DAVID A. LEFF, *Executive Director.*

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INTERNATIONAL LONGSHOREMEN'S ASSOCIATION,
*New York, NY, May 2, 1985.*

Hon. MARIO BIAGGI,
*Chairman, Subcommittee on Merchant Marine, Committee on Merchant Marine and Fisheries, U.S. House of Representatives, Washington, DC.*

DEAR CHAIRMAN BIAGGI: In reference to the scheduled May 7, 1985, House Mercant Marine Subcommittee hearing on the U.S.-flag passenger cruise ship industry, I deeply regret that I am unable to testify due to the Executive Council meetings of the AFL-CIO. However, the International Organization of Masters, Mates and Pilots will submit a statement for the record reflecting the views of the International Longshoremen's Association, as well as their own.

As you are aware, the ILA is deeply appreciative of your leadership in seeking solutions to the many problems which plaque the American maritime industry.

Please be assured of our continued support and cooperation in your untiring efforts.

Sincerely,

THOMAS W. GLEASON,
*President, International Longshoremen's Association, AFL-CIO.*

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INTERNATIONAL ORGANIZATION OF MASTERS, MATES & PILOTS,
*Linthicum Heights, MD, June 21, 1985.*

The Hon. MARIO BIAGGI,
*Chairman, Subcommittee on Merchant Marine,*
*Washington, DC.*

DEAR MR. CHAIRMAN: On behalf of the International Organization of Masters, Mates and Pilots, ILA, AFL-CIO, I would like to present our views in conjunction with your oversight hearings on the passenger cruise ship industry. Please include this letter in the hearing record.

The revitalization of the passenger cruise ship industry is one of the highest priorities of our organization. The construction and operation of these vessels could provide significant economic and security benefits to our nation. As this Subcommittee is acutely aware, the American maritime industry is experiencing one of the most difficult times in its history. Various promotional programs have been either eliminated or curtailed and those few that are left are under constant attack. The jobs that can be created through the revitalization of the passenger cruise ship segment of the American merchant marine, on board ship and in the shipbuilding, ship repair and related service and supply industries, are much needed.

Consequently, you and your Subcommittee, Mr. Chairman, are to be commended for initiating a broad-based examination of the cruise ship industry and how we as a nation and an industry can best take advantage of current interest in cruise vessel operations. We believe that this industry is so important and its potential so great that this examination should thoroughly focus on the incentives and disincentives to American construction and American-flag operation, and that proposed solutions should protect to the fullest extent those operations undertaken in conformance with existing law. We firmly believe that piecemeal legislation drafted to benefit a particular operator or operation is no solution to our industry's problems, and only serves to create a climate of uncertainty which inhibits the development of an American passenger cruise ship industry.

There are two distinct segments of the passenger cruise ship industry, each with its own special problems: the Jones Act cruise trade which excludes foreign-built and foreign-flag vessel participation, and the United States to foreign cruise trade, in which American operators would compete with foreign vessels. In both instances, American-flag participation is woefully lacking and in the non-Jones Act trade, there are no American-flag vessels in operation; the foreign cruise market is totally dominated by foreign cruise vessels.

The Masters, Mates and Pilots has worked diligently to place cruise vessels into operation and to obtain for American maritime workers jobs that are overwhelmingly held by foreign seafaring personnel. Despite the many obstacles that have been put in our path, we continue to make significant progress.

I am pleased to inform you that members of the Masters, Mates and Pilots will comprise the operating crew of the vessel MV/*Venus Venturer*, formerly the *Scandinavian Sea*. This vessel, owned by Venus Cruises, is presently in a shipyard in Spain and will operate out of Port Canaveral, Florida.

This vessel will not, however, fly the American flag. Instead, it will operate as an American-owned and manned foreign-flag vessel in competition with other foreign-flag vessels for American tourist dollars. One of the primary reasons is that as an American-flag vessel, this ship would be precluded by law from having gambling devices. On the other hand, foreign-flag vessels, operating out of American ports and carrying American passengers, can and do operate gambling devices.

We believe this situation not only discourages American-flag operations but would place an American-flag operation at a competitive disadvantage. Gambling facilities are featured prominently in the brochures of foreign cruise lines and constitute an important component of the foreign vessels' overall entertainment package.

Changing the statute as it pertains to gambling devices aboard American passenger vessels will eliminate one disincentive to the operation of passenger vessels under the American-flag. We believe this issue should be examined by the Subcommittee as it proceeds in its effort to revitalize this industry.

Another matter which we believe merits full examination is the extent to which Title XI loan guarantees will be available for the construction of passenger cruise vessels. Reports that this program may itself be falling on hard times may, if true, set back the plans of those who wish to build vessels in the United States.

Mr Chairman, another area which could significantly affect a revitalization of an American passenger vessel industry is the recent proposal from the Administration to repeal the provision of the Internal Revenue Code which authorizes the deductibility of expenses associated with attending business conventions aboard U.S.-flag passenger vessels operating between American ports.

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We believe that the existing provision of the tax code is critical to the revitalization of our passenger fleet. Without the tax benefit, the attractiveness of investing in U.S.-flag passenger vessels is significantly reduced. If the provision is eliminated, several planned cruise ship operations would be forced to abandon their efforts. Certainly the economic benefits of continuing the deductibility of convention expenses far outweigh any possible revenue gain expected as a result of repeal. We urge the members of the Subcommittee to take whatever steps possible to help retain this important provsion of law.

The MM&P continues to believe that with the proper economic and political climate passenger vessels for the domestic trade can and will be constructed and reconstructed in American shipyards. What is needed is a clear signal from Congress to American operators and American shipyards that their plans to build vessels will not be discarded in favor of foreign vessels. We believe that if Congress were to reaffirm the sanctity of our coastwise laws with respect to passenger vessels we would see U.S.-built passenger vessel projects concluded and put into operation in the near future. However, if for whatever reason the existing incentives prove after a reasonable amount of time to be insufficient to foster the anticipated revitalization of our passenger fleet, then we recommend that the Subcommittee investigate what more needs to be done in order to build and operate United States cruise vessels. We look forward to working with you and your Subcommittee in this important effort.

Sincerely,

CAPT. ROBERT J. LOWEN, *International President.*

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DISTRICT NO. 1—PACIFIC COAST DISTRICT, MEBA (AFL-CIO),
*Washington, DC, May 21, 1985.*

Hon. MARIO BIAGGI,
*Chairman, Subcommittee on Merchant Marine, Merchant Marine & Fisheries Committee, U.S. House of Representatives, Washington, DC.*

DEAR CHAIRMAN BIAGGI: Enclosed is copy of my testimony, as edited, delivered before your subcommittee on May 7 on the revitalization of the U.S. cruise ship industry. I appreciate having the opportunity to review my remarks. With this in mind, I would respectfully request that the following be included as an addendum to my statement for the record.

You may recall, Mr. Chairman, at one point during the hearing you indicated that the "whole opposition" to last year's Cunard-troop transport proposal came from two unions. I attach a list of opponents to that measure which includes some 19 labor unions.

Thank you for permitting me to include this in the record.

Sincerely,

MARIO C. WHITE, *Secretary-Treasurer.*

Enclosures.

LIST OF OPPONENTS TO BIAGGI "TROOP TRANSPORT" AMENDMENT TO H.R. 5167—THE CUNARD-JONES ACT WAIVER ISSUE

ADDSCO Industries, Inc.; AFL-CIO Maritime Committee; AFL-CIO Metal Trades Department; American Cruise Lines; American Flagships, Inc.; American Iron and Steel Institute; American Maritime Holdings, Inc.; American Radio Association; American Ship Building Co.; American-Standard; American Waterways Shipyard Conference; Avondale Shipyards, Inc.; Bath Iron Works Corp.; Bay Shipbuilding Corp.; Bethlehem Steel Corp.; Bird-Johnson Co.; Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers Union; Borg-Warner Corp.; Coastal Dry Dock & Repair Corp.; Colt Industries, Inc.; Combustion Engineering Inc.

Dillingham Maritime Group; Eaton Corp.; General Dynamics Corp.; General Electric Co.; General Ship Corp.; Hopeman Brothers, Inc.; Hughes Aircraft Co.; Industrial Union of Marine and Shipbuilding Workers of America; Ingalls Shipbuilding Division; International Association of Bridge, Structural and Ornamental Iron Workers; International Association of Machinists and Aerospace Workers; International Brotherhood of Electrical Workers; International Longshoremen's Association; International Longshoremen's and Warehousemen's Union; International Organization of Masters, Mates & Pilots; James L. Kurtz; Jamestown Metal Marine Sales, Inc.; Jeffboat, Incorporated; Jered Brown Brothers, Inc.; Joint Maritime Congress.

Laborers' International Union of North America; Lake Shore, Inc.; Lockheed Shipbuilding and Construtions Company; MacGregor-Comarain, Inc.; Marine Engineers' Beneficial Association, District-1; Marine Power & Equipment Co., Inc.; Mar-

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inette Marine Corp.; Maritime Institute for Research & Development; Maritime Institute of Technology & Graduate Studies; Maryland Shipbuilding & Drydock Co.; MWM-Murphy Diesel Company; National Maritime Union; National Steel & Shipbuilding Co.; Newport News Shipbuilding; Norfolk Shipbuilding & Drydock Corp.; Northwest Marine Iron Works; Oregon Steel Mills.

Pennsylvania Shipbuilding Company; Peterson Builders, Inc.; Radio Officers Union; Raytheon Service Company; Sailors Union of the Pacific; Sheet Metal Workers' International Association; Shipbuilders Council of America; Sperry Corporation; Sonat Marine, Inc.; Tacoma Boatbuilding Co.; Transamerica Delaval, Inc.; United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada; United States Cruises, Inc.; U.S. Steel Corporation; United Steelworkers of America; Vintero Corp.

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# SECURITY OF PORTS AND VESSELS

TUESDAY, OCTOBER 22, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON MERCHANT MARINE,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
*Washington, DC.*

The subcommittee met, pursuant to call, at 10:20 a.m., in room 1334, Longworth House Office Building, Hon. Mario Biaggi (chairman of the subcommittee) presiding.

Present: Representatives Biaggi, Hertel, Bonker, Mikulski, Thomas, Lent, Davis, Carney, Bateman, McKernan, Saxton, and Bentley.

Also present: Representative Rinaldo.

Staff present: Cyndy Wilkinson, Ed Welch, Mary Beth Sullivan, Gerry Seifert, Chris Goebel, Kip Robinson, George Pence, Ann Mueller, Linda Livingston, and Gwen Lockhart.

## STATEMENT OF HON. MARIO BIAGGI, CHAIRMAN, SUBCOMMITTEE ON MERCHANT MARINE

Mr. BIAGGI. The meeting is called to order.

The recent hijacking of the Italian cruise liner *Achille Lauro* in the Mediterranean highlights the vulnerability of cruise ships to terrorist attack. The hijackers were able to smuggle weapons onboard the vessel, and the hijacking resulted in the murder of an American citizen.

I commend the President for his diligent efforts that led to the speedy resolution of the hijacking and the capture of the terrorists responsible.

The vulnerability to attack also extends to cargo vessels. If hijacked, a cargo vessel rigged with explosives would pose severe risks to the operators, crew, port community, and navigation channels.

As a response to the hijackings of domestic airliners in the 1970's, broad security measures have been implemented at U.S. airports. There is, however, no Federal law requiring specific security measures to protect ports, vessels, passengers, and crew members from terrorist attack. Any security measures that are undertaken are done on a voluntary basis by the individual ports, cruise line, and cargo operators.

There are several possible measures that could be taken to ensure greater security in ports and on vessels. A system, such as that used at airports, requiring stricter screening of passengers and baggage could be undertaken. Access to port areas could be more



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tightly controlled. This would heighten security for both passenger and cargo vessels.

This hearing will explore the sufficiency of current security in our ports and of vessels using our ports. In addition, the subcommittee will explore the need for further security measures to ensure that an incident similar to the *Achille Lauro* does not occur within U.S. jurisdiction.

The additional security measures I have just mentioned, of course, are only a few of several different actions that can be taken. I hope this hearing will provide suggestions on other methods of handling security.

A second issue the subcommittee will explore is the sufficiency of international agreements. The United States is a party to international maritime agreements concerning privacy.

However, the provisions relating to piracy in these conventions may not be adequate to cover a terrorist attack on a vessel. The definition of piracy is limited to illegal acts "committed for private ends."

It is possible that a hijacking or attack on a vessel for political purposes would not fall within this definition. The subcommittee will explore whether it is necessary to reopen international maritime agreements to redefine "piracy" to include terrorist attacks for political purposes.

The subcommittee is pleased to have with us today Seymour and Viola Meskin, two of the American citizens held hostage on the *Achille Lauro*. On behalf of the subcommittee, I want to thank them for agreeing to share with us their personal perspective on the security aboard the Achille Lauro. I am sure it will benefit the subcommittee as it examines the security of U.S. ports and vessels using our ports.

Would you care to join us up here, Mr. Rinaldo?

Mr. RINALDO. Thank you, Mr. Chairman.

Mr. BIAGGI. Mr. Carney, do you have an opening statement?

Mr. CARNEY. Mr. Chairman, I have no opening statement. Thank you.

Mr. BIAGGI. Mrs. Bentley.

## STATEMENT OF HON. HELEN DELICH BENTLEY, A U.S. REPRESENTATIVE FROM MARYLAND

Mrs. BENTLEY. Thank you, Mr. Chairman.

First of all, I would like to commend Chairman Biaggi for his timely initiative in calling for an oversight hearing regarding the lack of security measures of ports and vessels involved in the U.S. domestic and international trade. The lack of security measures in passenger ships was evidenced by the world when PLO terrorists hijacked the *Achille Lauro* in October, as he said.

I would like to see a program initiated for passenger ships similar to the program in airlines and airports. The actual operation of security measures could be handled by the seaports and carriers.

A passenger tax as well as limited Federal appropriations could be used to finance Government oversight. The cost of metal detectors, x-ray machines and security personnel could be borne by the ports and carriers.

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More importantly, security measures regarding cargo vessels should be implemented. There is great potential danger which could result if a cargo vessel were hijacked.

Once again, thank you, Mr. Chairman, for calling this hearing. I hope this subcommittee can come up with some viable solutions to help solve the lack of security measures.

MR. BIAGGI. Mr. Lent and Ms. Mikulski have prepared statements, which we will submit for the record.

[The statements follow:]

STATEMENT OF HON. NORMAN F. LENT, A U.S. REPRESENTATIVE FROM NEW YORK

Mr. Chairman, I think this is an extremely important hearing and I thank you for arranging the subcommittee's schedule to allow time for this matter.

I do not intend to dwell on the most recent event of international terrorism and piracy. We all have heard and read about it and I am sure we will hear more this morning. I do want to say that we must be prepared in this country to prevent any repetition of what happened to the cruise ship *Achille Lauro*.

I hope our witnesses today will focus on the most important aspect of combating terrorism on a ship—preventing it from happening in the first place. Obviously, we must have the ability to deal with piracy on the high seas, and I recognize that our military planners are involved with developing countermeasures once something has happened. However, in my opinion, if we have to rely on a SWAT team to reclaim a vessel then, in a real sense, we have failed. Our port authorities, vessel owners, and government officials should develop as a top priority security systems to prevent hostile actions in the first place.

This committee has an obligation to see to it that the security measures governing the operation of both merchant ships and passenger cruise ships is the most efficient that today's technology can provide. If it means some additional costs—to the Federal Government, to the industry, or to the passengers traveling on cruise ships—then so be it. The protection of lives and property should not be jeopardized merely because of money.

I think we will be able to learn from our experiences in protecting our air travelers. For example, it may be that many of the security measures in place at our Nation's airports can be employed in cruise ship terminals.

I am looking forward to listening to the statements today. I would hope that we will hear that everything is being done that should be done. If not, then maybe we will receive some guidance from the experts appearing before us as to what other measures may be appropriate.

We all would wish that this hearing was not necessary. It is a sad commentary on the state of our world today that we have to worry about heartless barbarians who think nothing about killing innocent people. But the fact of the matter is there are uncivilized people in the world who will stop at nothing to achieve their ends. We must be prepared to stop them.

Mr. Chairman, let's hope that our hearing will end on a positive note after all our witnesses have completed their presentations.

Thank you.

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STATEMENT OF HON. BARBARA A. MIKULSKI, A U.S. REPRESENTATIVE FROM MARYLAND

Mr. Chairman, all Americans were outraged that an innocent American, Leon Klinghoffer, was murdered almost two weeks ago when terrorists seized the Italian cruise ship, *Achille Lauro*.

The fact that Mr. Klinghoffer was confined to a wheelchair only heightens the heinous and cowardly nature of this terrorist attack.

Yet at the same time we should be proud of our country's, and our President's, resolve in bringing these terrorists to justice. By intercepting the plane carrying these terrorists, the United States put all terrorists on notice that such actions will not go unpunished.

The hijacking of the *Achille Lauro* was the first hijacking of a cruise ship since 1961. The initial success of these terrorists brings home to all of us who are involved with the shipping industry how important adequate security measures are to prevent piracy on the high seas.

At present, there is no law requiring specific security measures to protect ports, vessels, passengers and crew members from terrorist attacks. Some shipping lines

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and ports have undertaken voluntary steps to protect themselves and those they serve from such attacks.

I am pleased that one of the individuals who will be testifying today before the subcommittee on what is currently being done is Lt. Col. Frank Mazzone, deputy superintendent of the Maryland State Police.

Colonel Mazzone is a past director of security for the Port of Baltimore and is currently president of the International Association of Airport and Seaport Police. He did a great deal to strengthen security in Baltimore and I look forward to any comments and recommendations he might make to the subcommittee today and commend the chairman for inviting him.

Thank you.

Mr. BIAGGI. Mr. Thomas.

Mr. THOMAS. I have no opening comment, Mr. Chairman.

Mr. BIAGGI. Although Mr. Rinaldo is not a member of this committee, we know Mr. and Mrs. Meskin are his constituents. We have invited Mr. Rinaldo to join us this morning for the purpose of introducing them.

Mr. Rinaldo.

## STATEMENT OF HON. MATTHEW J. RINALDO, A U.S. REPRESENTATIVE FROM NEW JERSEY

Mr. RINALDO. Thank you, Mr. Chairman.

I certainly want to commend you and the members of this committee for holding this hearing and I appreciate the opportunity you have given me to appear before you to introduce two of your witnesses who were aboard the ill-fated *Achille Lauro.*

Viola and Seymour Meskin are very special to me. They are old friends, and in many ways are examples to millions of Americans who are proud of their convictions and their country.

Viola and Seymour Meskin represent the quiet Americans who by the thousands travel throughout the world every day, armed only with an American passport.

I have known them both for over 25 years. We live in the same town of Union, NJ, and like so many Americans, Seymour Meskin is a self-made man. He studied and worked hard to succeed. As a successful accountant and builder, Seymour earned the respect and trust of just about everyone who met him in Union Township.

But he is a builder in more than the conventional sense. He has been involved, along with his wife, in building bridges of friendship between people of different faiths in our town. Seymour and Viola are both very active in community projects. They are a couple dedicated to their country and to the freedoms we all cherish.

When Viola and Seymour Meskin stood in front of the PLO terrorists on the open deck of the *Achille Lauro,* they were asked their nationality. They could have easily lied to their captors and spared themselves the anguish and even possible death at the hands of the terrorists. But instead they chose to identify themselves as Americans.

They are proud that they are Americans and this was an act of quiet courage, and we should all be very proud of Viola and Seymour Meskin for what they did.

I am confident the members of this committee will find their account of terror aboard the *Achille Lauro* beneficial in your efforts to develop greater security measures on board international vessels

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and at ports of call, so that travel can be made safer for all Americans.

I am pleased to introduce my good friends, Seymour and Viola Meskin.

Thank you very much, Mr. Chairman.

Mr. BIAGGI. Thank you.

There will come a time during the course of the hearing today where there will be some testimony and some questions and answers that might impact on security now in existence. It will be necessary to call an executive session at that point to conduct the hearing in secret.

So with that, I ask unanimous consent that the subcommittee conduct its business in closed session after the administration panel offers its formal testimony. At that time, I would ask the room be cleared of all persons, except members, committee staff and administration witnesses.

Without objection, so ordered.

Mr. and Mrs. Meskin, I think the world is aware of your experience. What Mr. Rinaldo reiterated was the quiet courage that typifies the finest Americans. We know of your desire to cooperate, and your presence here is visible testimony to that fact. Also, your desire to testify in the trial of the four terrorists clearly points out that you have courage and you are determined to see that justice is done.

I have every reason to believe, in light of that and your experience, that your testimony will be important. It will be impressive, and it will help convict those four terrorists. I guess, even more importantly, you will be unfailing in your commitment to the memory of Leon Klinghoffer and to the experience that you so bravely went through and endured.

Mr. Meskin, Mrs. Meskin, why don't you just tell us in your own words the security measures, if any, that were being followed on board the *Achille Lauro* and just what occurred.

## STATEMENTS OF VIOLA AND SEYMOUR MESKIN

Mr. MESKIN. As far as security measures are concerned, I didn't see any. From the time our bags were given to the airline at the airport in New York, JFK, and they went on to the plane, I don't believe those bags were ever looked at by anybody any place.

When the plane landed in Milan, Italy, everybody on the plane went through the formality of having their passports inspected. None of our bags were looked at, in Milan. They all came in the usual method—that is, using the normal procedure of putting the bags from the airline on a certain traverse and all the people on the plane found their own bags and picked them up and put them aside.

In our particular case, since we were traveling as part of a group of tourists that had reservations for 25 or 26 cabins, the tour firm had a representative meet us there. All of our bags were put on some dollies and they went right through the inspection, nobody looked at one bag when we arrived in Italy. Not one bag.

The bags were placed on a bus and we took the bus from Milan to Genoa. At Genoa the reverse procedure took place: the bags

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were placed on a dolly; they were brought into a large open room. The room was probably, I would guess, maybe 100 by 400 or 500, and the bags were all put on the side and the various people in our group went along and indicated their bags, and then one of the roustabouts marked the cabin number on the side of the bag and the bags were taken and put on the ship.

To the best of my knowledge and belief, nobody inspected anything. At the same time as we were getting our things loaded onto the boat, people from the previous cruise, were coming off the boat with their bags. There were people coming and going at all times.

I saw no evidence of any guards or any security around this large open room at any time. It was set up in such a way that anybody from the outside could have walked in at any time.

The same way as at any of the ports we stopped at, I saw no security measures coming or going. We stopped at Naples; there was no check of the people coming back onboard. We stopped in Alexandria; there was no check of the people coming onboard.

Mr. BIAGGI. Were there any uniformed guards, Mr. Meskin?

Mr. MESKIN. No. When we came into Genoa and we came to the pier for the shipping line, there were a couple of soldiers on the outside of the building but they didn't look at anything. They didn't check anybody or anything. You just walked in.

Those were the only security people—the only uniformed guards that I saw at any time.

Mr. BIAGGI. To your knowledge, when did the terrorists come onboard, or when did you first see them?

Mr. MESKIN. The first time that my wife and I saw them we were having lunch Monday about 1:30 in the afternoon. That is the first time that I ever saw them.

Mr. BIAGGI. How did they conduct themselves at that point?

Mr. MESKIN. Well, the first signs we had of anything were two loud cracks, which I assumed were rifle cracks or machine gun fire. These fellows moved up to the dining room—they were carrying what I believe was a submachine gun or automatic weapon.

We heard two cracks, and then we looked up and at that point, the terrorists came in herding before them a number of people from the kitchen crew and some waiters. They came down the dining room and told everybody who was before them to get up from the tables (including the waiters and the passengers) and move back further towards the rear of the room.

Mr. BIAGGI. How many were there at the time?

Mr. MESKIN. Four.

Mr. BIAGGI. Four. Did they herd all the passengers into one room or were there others left in their cabins?

Mr. MESKIN. Well, at that point they herded all of the passengers who were in the dining room.

There were on the ship at that time some 80 to 90 passengers. Most of the passengers had taken the trip to Cairo to see the Sphynx and the Pyramids. My wife and I did not go because we had been to Egypt some 5 or 6 years before and we didn't want to take that long trip. It was a 12- or 14-hour trip that day.

All the passengers in the dining room were herded to the rear together with all the dining room crew. Two of the terrorists remained in the dining room, one at the main staircase leading up or

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down, the second one at the far end of the room, the other two disappeared. One took an officer and said "capitan" and went up the staircase toward the bridge and the other one got another officer and went downstairs to the engine room. That is where the four of them were.

The one that went down to the engine room, came back some 10 or 15 minutes later, I estimate. He came back upstairs with seven or eight crew members and each crewman was carrying a plastic container with what I was told was benzene. That is their word for what I understand is gasoline.

These containers were taken and placed around the dining room in various spots.

Mr. BIAGGI. Were all four of the men armed?

Mr. MESKIN. Yes. All four were carrying identical submachine guns. They were carrying explosives—each had several hand grenades. There were one or two revolvers.

Mr. BIAGGI. Were they wearing distinctive dress?

Mr. MESKIN. No. Just slacks, shirts—no uniform. All four were wearing four different types of dress.

Mr. BIAGGI. Upon reflection and after the event, did any of your fellow passengers note they were suspicious of these individuals prior to the hijacking?

Mr. MESKIN. Well, among the group of Americans there was a Mr. and Mrs. Weltman from Chicago. Their waiter told the Weltmans that these four had been sitting at a table served by an adjacent waiter and he (the waiter) had seen the four of them, that they had been on the cruise starting in Genoa.

We were told that when they came aboard, that they had four passports from four different countries.

Mr. BIAGGI. After the hijacking occurred, were you able to tell if the officers or crew were taking any emergency measures?

Mr. MESKIN. Well, I saw none. I saw none. They did exactly as they were told, the same as we did.

Mr. BIAGGI. After the hijacker went to the engine room, did he return, as well as the one from the bridge?

Mrs. MESKIN. Excuse me, they were circulating. They did not have definite stations. They kept moving around and at the time we did not know there were four. We thought there were many more because of the way they were directing their attack.

They were not just at one place. So it looked and appeared to us that there were more than four people.

The other thing I think that I would like to add is that in Naples when the ship docked, many merchants got on the ship to sell jewelry to the passengers. It was a very easy thing for anyone to get on and off the ship when it was in port.

I think, too, that that is a very unsafe situation.

Mr. BIAGGI. There will be further questions by other members here but I would caution the members not to make inquiry about the killing of Leon Klinghoffer. That matter is subject to trial and we would rather not get involved in legal controversy on that score. We should just confine our questions to events leading up to that point.

Mr. Lent.

Mr. LENT. Thank you, Mr. Chairman.

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First of all, I would like to welcome our witnesses here this morning. I know you have been through a difficult and harrowing ordeal and we are happy to have you and all of your colleagues who were on that vessel return to us in safe and sound condition, with the one exception, of course. We feel very badly about the one death that did occur during the hijacking of the *Achille Lauro*.

I have a letter from the acting assistant attorney general, which I understand all of the members of the committee have, cautioning the members not to get into the details of the hijacking because of the possible prosecution by the United States of the alleged perpetrators of the hijacking. But I would like to ask you something that has been bothering me and that is with respect to the conduct of the crew aboard the *Achille Lauro*.

We have heard some differing interpretations of what their behavior was. My understanding is that there may have been as many as 300 employees of the *Achille Lauro* aboard the vessel at the same time there were only four hijackers.

Can you give us your impressions of what their conduct was? I am speaking now of the crew of the *Achille Lauro*.

Mrs. MESKIN. Who did you want to answer that?

Mr. LENT. Well, did you see any evidence of cooperation?

Mrs. MESKIN. No. We understood there were 400 crew people, 85 passengers. Definitely the Americans were isolated. The English were isolated. There were six young ladies who were on the dance group on the ship. They had a contract. The girls, too, were separated from the rest of the passengers.

The crew had direction from the captain to be very quiet and to do everything that the hijackers wanted them to do. He felt that everything would work out favorably—we, of course, did not know there were only four hijackers. The fact that they were circulating made it appear that there were many more.

They always had a hand grenade in their hand, playing with the pin. They always had the gun ready for shooting. They had all these gasoline tanks around, and there was no question that they would do anything because of their almost crazed condition.

They did not eat or sleep in the 52 hours we were held captive, and while they were young boys, they had very beautiful haircombs, because I happen to be a sculptor, good-looking boys, they had very definite objectives to frighten the crew and everybody around them.

The captain seemed to be a very wonderful person who was looking to take care of his ship, his crew, his passengers. He offered his own life in preference to any of his passengers, which they turned down.

The reason we say that is that as soon as the captives left, we went to the captain and asked him how he could have treated—I don't know whether you heard the episode, this great exit that these terrorists made when they were leaving the ship, and of course we also went up to see the captain because Mrs. Klinghoffer was with us and we were looking for Leon and we didn't know he was murdered for 24 hours. It was the captain that told us he was murdered.

The captain had to keep his crew very quiet because he was afraid to make too many waves dealing with these hijackers. They

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would do his bidding by feeding us with the permission of the hijackers because we could see them ask permission to bring us food, to bring us a blanket, bring water. But everything was at the permission of the hijackers, and I don't know if the crew knew there were only four, too. They may have thought there were more people.

Mr. LENT. You didn't see any evidence of the crew applauding the hijackers according to some of the statements that were made?

Mrs. MESKIN. Only at the end when they were leaving. It was the sickest thing I ever saw in my life. When they knew they were boarding a boat or ship to go to the Egyptian port, the hijackers asked the captain to go with him and they came around, to all the crew and the people onboard, except the Americans and British, and said, "We did not mean to hurt you. We only had an objective. We have a cause."

And so everybody applauded him—that is not us, but the crew—the crew applauded him and some passengers applauded them. They had kissed each other on the cheek because this is the way of their country, and when I confronted the captain and said, "How could you do this," he said, "I would have kissed their toes to get rid of them." And so they did applaud them, but only to get rid of them, not really because they were proud of them or had any feeling for their cause.

Mr. BIAGGI. Will the gentleman yield for a question?

Mr. LENT. Yes, Mr. Chairman.

Mr. BIAGGI. You stated that the English were separated, and that the Americans were separated. Was there any evidence that the Jews were separated?

Mrs. MESKIN. No.

Mr. MESKIN. No.

Mrs. MESKIN. That question never came up. There was a judge that was not Jewish that was in our group. It was just Americans.

Mr. BIAGGI. Thank you.

Mr. MESKIN. And the English dancing girls.

Mr. LENT. Thank you very much. I have no further questions. I want to thank Mr. and Mrs. Meskin.

Mr. MESKIN. I would like to make one comment, if I may, Mr. Lent.

Mr. LENT. Yes, please.

Mr. MESKIN. While there were 350 to 400 crew members, you must not forget that most of them were entertainers, waiters, stewards. They were not sailors as such, not what I would consider to be a crew member.

Mr. BIAGGI. Mr. Hertel.

Mr. HERTEL. Thank you, Mr. Chairman.

Mr. and Mrs. Meskin, I thank you for coming today and I am glad you are with us and thank you for stepping forward to assist us.

Let me ask you—you have touched on it in your testimony already—what specific recommendations would you make for cruise ships in this country and other countries that we can encourage and enforce additional regulations? Very simply, do you think we should always have the magnetic devices as we have at the air-

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lines, x-ray devices we have at the airlines that look at every single bag coming through?

Mr. MESKIN. I would think so. It would be my opinion that that is a very simple and easy method of checking baggage. From my experience at having gone through that type of thing a number of times, it is not a difficult item to set up, does not require a lot of people. It would definitely be a deterrent if that were done, and I think it should be done for the individual passengers coming on and off at every port. I think also some method similar to that should be used to screen baggage. I do not know how the airlines screen the baggage that goes on, but I assume something similar, whatever the method is, should be used.

Mr. HERTEL. And also screening the individuals, the individual walking through?

Mr. MESKIN. Definitely.

Mr. HERTEL. And that applies to people coming on board to sell things and visit just as they have to when they go to visit somebody on a plane.

Mr. MESKIN. Yes.

Mrs. MESKIN. Excuse me——

Mr. HERTEL. Any other recommendations in those areas?

Mrs. MESKIN [continuing]. Excuse me. As to the great exodus that these terrorists gave us before they left the ship, they were trying to prove they did not steal but that they only had a cause. They picked up some luggage—they had some beautiful baggage—and they took their guns and folded them up nicely and neatly, put them back into the baggage which is how they got them on in the first place and made this grand exodus. Definitely if their bags were examined, somebody would have been aware that there might have been a problem.

Mr. BIAGGI. Will the gentleman yield?

Mr. HERTEL. Yes.

Mr. BIAGGI. On that point, I raised that question with the cruise operators during recent discussions and they indicated there may be a 6- to 8-hour delay if we were to screen the luggage. We will get into that a little further.

Mrs. MESKIN. I think that is a better deal than being hijacked.

Mr. BIAGGI. I am glad you said that. You anticipated my next question.

Mr. MESKIN. I would disagree with that thought. How long does it take in the way of delay to load an airline? On a big plane you have 300 or 400 people going on at one time. What does it do? Delay the whole thing maybe 15 minutes or a half hour?

Mr. BIAGGI. The fact of the matter is some of the objections we are now hearing we heard when we implemented security measures on the airlines.

Mrs. MESKIN. Right.

Mr. BIAGGI. Now we do it as a matter of course, and people arrive at the appropriate time and planes leave on time.

Mrs. MESKIN. Right.

Mr. BIAGGI. Mr. Meskin raised the point, what is it worth in order to be safe?

Clearly, there should be some measures.

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Mr. MESKIN. With the length of a cruise and even if it were delayed a few hours, I think that the ship could still hit all its ports of call and make all its stops without any problems. All they have to do is speed up the motors a little bit when the ship is cruising.

Mr. BIAGGI. I do not think we will ever develop a perfect system, but certainly something should be done.

Mr. HERTEL. From your testimony, it also appears that since some of the employees are more casual than you would have for an airline that operates full time, with that airline and our professional stewardesses and pilots and so forth, that maybe there sould be a security check at least of the employees of the liner. They should also be submitted to having their bags and persons checked since not only do we see such a tragedy, we see a proliferation or copy later on trying to be an employee of such an airliner.

Mr. MESKIN. Sure, that would be a very similar way of doing a similar stunt in the future. All you have to do is get yourself hired on a boat and everybody is in there.

Mr. HERTEL. In addition, you know, on the airlines we have marshals that operate anonymously under cover. Do you think that might be in certain parts of the world a good thing for nations to do that have cruise ships?

Mrs. MESKIN. Definitely.

Mr. HERTEL. As a possible deterrent?

Mr. MESKIN. Absolutely. I would also say this. Never once during the days that we were on the ship did I see a sailor on the decks just looking around, just seeing what is going on there. Whatever crew members were on the deck were either waiting on tables or serving drinks or something of that nature. There never was any real sailors on the decks.

Mr. HERTEL. This question may be a little bit sensitive. But let me ask you about a difficult time. It was 24 hours before the widow was notified of the death. Is that because of confusion, or because information was withheld? Can you give us your opinions on that?

Mr. MESKIN. The hijacking took place on Monday during the lunch hour. All of the passengers ended up, and the crew ended up in the Arazzi lounge where after a period of time the terrorists asked to see all passports and at that point there was segregation of various nationalities. The Americans were herded into one bay, the English dancing girls were herded into the adjacent bay. We stayed that way during the night. Blankets were forthcoming; sandwiches and coffee and fruit were served.

On Tuesday, the second day, shortly before noon 11 of the 12 Americans—Leon was left behind. We were ordered upstairs and led onto an open deck which was the roof of the lounge. The 11 Americans, the five dancing girls and subsequently two Austrian Jews were placed in that position, and we were spread around and two 5-gallon cans of gasoline with the caps off were placed on the deck with us. We were all forced to sit down in the middle of the deck and we stayed that way for 3-4 hours. At this point the boat was floating off what we were told by crew members was the coast of Syria. You could see a town in the near distance. When we came back from that deck, Leon was not to be found. We asked crew members where he was. We were told that Leon had been faint and the nurse had taken him out on board——

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Mrs. MESKIN. On deck.

Mr. MESKIN. Yes, on the walking deck. The Americans were situated near the end of the Arazzi lounge and at the end of the lounge there were two glass doors. I looked through the doors, and I could see down 300 or 400 feet. I could not see Leon.

The story remained that way until it started to get dark. At that point talking to a crew member we were told that Leon had had palpatations and had been taken downstairs to the hospital, that he was alive, that he was well.

Mr. BIAGGI. Why don't we stop at that point.

Mr. HERTEL. Yes, and I am concerned too, Mr. Chairman.

Let me leave that now, Mr. Meskin.

We are concerned about sensitivity of the testimony here today, and we will have ample time later on to find out exactly how the captain and crew operated in this tragedy. Let me ask you one other question that is completely different, and I think a very difficult question, but as one of the hostages, from your viewpoint what if an assault had been attempted by American or allied forces? Would it have been possible? I know that is a very speculative question. What if a rescue attempt had been made?

Mrs. MESKIN. Do you mind if I answer that?

Mr. HERTEL. Sure.

Mrs. MESKIN. It seems to me the captain was in control of the whole situation He had definite orders from Italy, and the reason I say this is because this is what the captain told us. After the whole incident, we went upstairs to look for Leon and he was the one that told us that Leon had been murdered. He told us the only way he could save his ship and his passengers was that nobody interfered, and so we could not—while we had the isolation feeling while this thing was going on, it seemed as if it was the judgment of the captain that nobody should come and help us until things had quieted down on the ship and the hijackers were gone.

So I think it was his decision, maybe it was best, I do not know, but it would be difficult for us to say that somebody should have come and rescued us. There might have been more tragedy. These young men, I am sure, were hopped up because they never ate or slept all the hours they kept us captive. And I do not know if they were doing the thinking or the thinking came from outside the ship, but obviously it was the captain's judgment that there would be less tragedy if we all adhered to his wishes and did things the way he thought best.

Mr. BIAGGI. The gentleman's time is expired.

Mr. HERTEL. I want to thank both of you, and I want to say we will implement the recommendations you have made to us today and work to do that.

Mr. BIAGGI. Mr. Carney.

Mr. CARNEY. Thank you, Mr. Chairman.

I would like to thank Mr. and Mrs. Meskin for coming before us today. I recognize your last couple weeks have been very, very emotional and very tiring. I think it is important we put something in perspective and that is in the cruise ship industry the United States controls only two ships, the *Independence* and the *Constitution*.

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Most cruise ships are foreign flag and foreign operated, so it would be rather difficult for us as a nation to control the types of security that you would need or would be required to prevent these acts of terrorism from happening.

Of course, those two cruise ships, they go from port to port in Hawaii. We could ensure security to a greater extent for people who are on those ships, but the task becomes rather difficult when we talk about ships that go from port to port around the world, non-U.S. ports, ships that are not crewed by U.S. crews or owned by U.S. interests. That task becomes rather difficult.

I am not really sure that we can ensure our citizens who travel on foreign-flag vessels their safety nor can we ensure their safety when they go from foreign port to foreign port.

We recognized that when terrorists hijacked an aircraft in Greece that even today with the airline industry the way it is, with the proliferation of hijackings concerning airlines, many countries do not require the security measures that the United States does require. So it would be difficult for us to control the types of security we would like to see.

There is a difference between airline travel and shipboard travel that we have to recognize, and that is when you travel in an aircraft you do not have access to much of your luggage and that luggage does not have to be inspected. True, it is screened on occasion, if there is intelligence information that would indicate that that baggage might have an explosive device on it. They do that.

But normally when you travel from Kennedy to Washington in the normal course of business they only screen carry-on luggage. That task is somewhat more simple than it would be to screen the luggage on liners of people carrying maybe 14, 21, 28 days' worth of travel equipment on long and extended cruises. After you screen the original luggage, the access in and on, I should say, on and off, pardon, ships becomes rather difficult in foreign ports.

I would hope that what this meeting and what these hearings will bring out will be productive, but I would not want to give the American public a false sense of security to think that we as a nation can make a great deal of change in the possibilities or probabilities of having vessels hijacked such as the incident we just witnessed 2 weeks ago. That is simply because we do not control the vessels used in the cruise trade.

Mr. Chairman, with that I would yield my time.

Mrs. MESKIN. Excuse me, may I say that under those circumstances I think it would be incumbent upon the United States to let the people know that they do not have security. It did not even enter our minds. I think that something should be said about the fact that we cannot control in those cases and that there should be a warning to the American people not to travel if this is the case.

Mr. CARNEY. I agree with you, and that is why I don't want this hearing to give the people a false sense of security. As I said before, we control two cruise vessels in the entire world.

Mr. MESKIN. Mr. Carney, may I?

Mr. CARNEY. Yes, sure.

Mr. MESKIN. Many of these foreign vessels stop in the United States. If we put in security measures here they may well be forced to do the same thing elsewhere. We start it here and it can spread.

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If I remember correctly, we were the first country to start with airline security. It seems to have spread pretty much round the world today, some places better, some worse.

Mr. BIAGGI. Will the gentleman yield?

Mr. CARNEY. I yield to the chairman.

Mr. BIAGGI. I thank the gentleman.

Mr. Meskin made the point. Clearly, there are requirements for domestic as well as foreign flights established by the FAA, and there is no reason to believe that we cannot have a replication of that.

As I said before, there is no such thing as a perfect system, but I think we have a responsibility to implement something that comes within the degree of reason. The fact of the matter is, we have 1.5 million Americans who go on board ship every year. We have a responsibility. The gentleman is correct—we only have two American passenger cruise vessels but we do have 50 to 80 companies operating now in the rest of the country. Most of them operating into the Caribbean where Americans travel.

We have that responsibility.

Mr. CARNEY. I agree with you, Mr. Chairman. Don't misunderstand me. I just don't want a false sense of security to be the product of this hearing. The fact is, we can control a ship whether it is foreign flag or not that enters the United States ports, but we cannot control what happens at any other port. Foreign-flag ships do not travel from port to port in the United States. They might come to the Port of New York, pick someone up, go to Bermuda, the Caribbean, Europe, go around the world, the *QE-II* comes to our port on around the world cruise. That is one port that might initiate security. I think the American public should know that. They should recognize we are somewhat limited and unless we have international cooperation on a broad scale, don't feel safe taking a cruise.

The message to Americans today is we don't own those vessels, don't feel safe taking the cruise.

I commend the Meskins for coming to bring to this hearing the excitement that they bring here. So perhaps maybe that message will be heard by people who I know maybe have saved 20 years to take their cruise and that type of thing. We just cannot guarantee them today in today's world, we cannot guarantee them, particularly since we don't own the vessels and the vessels don't always go to our ports. That is the only point I was trying to make, Mr. Chairman.

Mr. BIAGGI. Will the gentleman yield?

You make the point well, but again, Mr. Meskin, he touched on it as related to the practice of airlines. Most airports do have security as well. That is why we have international forums, international agreements dealing with piracy, no reason why we shouldn't have international agreements dealing with this type of situation.

But the point is well made.

Mr. CARNEY. I agree, Mr. Chairman, but again, I would simply like to say if you just take the airlines, the history of hijacking since 1970 was such you would think that every sophisticated nation around the world would have had these types of security, but we recognized in the airport in Greece—in fact our Govern-

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ment warned tourists that security at the airport in Greece was such that their lives could be in danger.

That is the point I am simply trying to make.

Mr. BIAGGI. Thank you. The gentleman's time has expired. Let me ask this one question before I introduce the gentlelady from Maryland. I understand you have been on cruises before, you have taken a number of cruises and they all worked out happily and satisfactorily. Now you have had this bitter experience. Would you go on another cruise?

Mrs. MESKIN. No.

Mr. MESKIN. Not for a while. I think our future vacations will be in this country for a while at any rate.

Mr. BIAGGI. Time has a way of ameliorating situations.

Mr. MESKIN. You are right.

Mr. BIAGGI. Ms. Mikulski.

Ms. MIKULSKI. Thank you, Mr. Chairman.

Mr. and Mrs. Meskin, I think on behalf of the Congress, we want to give you a really warm welcome today, and thank you for the courage you displayed not only on the cruise liner but the courage you displayed in coming forward today to present your testimony under the most arduous of circumstances, so that people could have it a little better because of what you endured.

We in no way want to contribute to your tension. In fact, you are the good guys. You remind me so much of the constituents that I represent, the people who work very hard for their money, and have saved a little bit, and then wanted to have a little bit of fun, only then to find yourselves in this chamber of horrors which you thought was going to be a cruise ship.

We feel that perhaps the way the best tribute we can pay to you, to Mr. Klinghoffer and to all Americans who went through that ordeal, is some type of prevention. Mr. Carney does outline some of the difficulties there, but you know what, I think all of us, both mainstream Americans like yourselves and those of us who represent you, want to know we are ready to be tough on terrorists and we will just not let the bully boys keep us from going around the world or our own country to have a little bit of fun.

I think there are a couple of steps we can take and Mr. Biaggi has talked about it, let me just reiterate some things to you.

One, that we press for an International Seaport Security Act which would have two components to it. One, we would call upon our allies as well as ourselves to implement seaport security measures, screening and other techniques to prevent the entry of vessels with weapons and bombs and all that.

Second, it is true that we only control two ships but we do control our American ports. The private sector who wishes to profit from the cruise industry also needs to show that they are willing to play a part. Regardless of what flag they sail under, they should fly under the flag of passenger security.

That should be an international norm, not only a national norm.

To that end, we could have a component that would say in order to dock at a port, be it in New York or be it in London, be it in Rome, or wherever in the world, you have to have a docking license and a docking license would say that the vessel has taken all provable positive steps to ensure passenger safety and security.

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Those are the kinds of things I would like to recommend. One, that at every seaport they make sure anybody getting on the ship has been screened. Second, they don't let a ship come into the harbor unless they have taken the steps on board that you have talked about. That seems to be a common sense approach.

Do you think that would be in some way a tribute to your own gallantry and courage, and second, do you think those could be workable agreements?

Mrs. MESKIN. I certainly do.

Mr. MESKIN. Most definitely.

Mrs. MESKIN. I agree with you.

Mr. MESKIN. And the additional cost to the line would be that insignificant, so they would pass it on to the passengers and it would be another 1 percent, maybe, on the cost and generally the person who is going to take a trip, if it is going to cost a couple bucks more, if he is going to take the cruise he is going to take it.

It doesn't make any difference.

Ms. MIKULSKI. Thank you. I will not prolong this. We wish you the very best in the future. And thank you just for being how wonderful you are.

Mr. BIAGGI. Mrs. Bentley.

Mrs. BENTLEY. Thank you, Mr. Chairman.

I want to join my colleagues in welcoming the witnesses and applaud them for their bravery. The chairman mentioned you taking other cruises. How many cruises have you actually taken over the years?

Mrs. MESKIN. This is the third.

Mrs. BENTLEY. Have any been out of a U.S. port?

Mrs. MESKIN. Yes, one. Two years ago this same group went on a Caribbean cruise.

Mrs. BENTLEY. Was there any security when you boarded the ship in—what port did you board in in the U.S. port?

Mrs. MESKIN. Miami.

Mrs. BENTLEY. No security there either?

Mrs. MESKIN. Not that I remember.

Mr. MESKIN. No.

Mrs. BENTLEY. Would you ever board a ship overseas again?

Mrs. MESKIN. Not if we—not knowingly. We didn't expect to go to Egypt a second time but we ended up there.

Mrs. BENTLEY. You know, as was pointed out by Mr. Carney, we only have two passenger ships under the American-flag which many of us have decried and have been very upset about for a long time, and we know there are some interests around the United States who would like to do something about getting an American flag passenger ship or one or two in active status in the near future.

This may be the impetus we need to get American investment into American ships if they know that there will be security on the American ships rather than the others. If you had your choice of going on an American-flag passenger ship out of an American port versus boarding a ship overseas, which would you take in I mean——

Mrs. MESKIN. There is no question.

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Mrs. BENTLEY [continuing]. And the ship overseas would be a much more exciting cruise, for instance.

Mr. MESKIN. Mrs. Bentley, whenever we take a trip, if we have any choice in the matter we will fly American planes rather than a foreign plane, and the same thing holds true to any ships. We would take an American ship if we had any choice.

Mrs. MESKIN. I also think most people, including myself, was not aware of the fact that these ships were dangerous, the ones overseas. As American citizens we have always felt very secure wherever we went, the American Government would take care of us.

So I don't think most people understand that there is no security on ships out of the country. I think it would be a good point to tell people that and I am not sure they would go so fast if they realized there was danger.

Mrs. BENTLEY. It was said here that if we started the security here that it would spread overseas just as in the airline industry, but the airline industry is so far different than the passenger ship situation today in that when we started in the airline business we have so many airplanes and airlines and we did control, everything comes out of the United States.

Now it is true that many of the passengers, in fact, I would say that most of the passengers who go on cruises around the world come from the United States but they are not going on American-flag ships, and that is your difference.

Mr. MESKIN. One comment.

Many of the boats, these ships, dock at one time or another in American ports. If that is the case, we have some control. I was talking to a crew member, he was a musician on the ship, he normally works on two ships a year, 6 months of the year he works the Mediterranian cruise, the winter period he works the Caribbean cruises.

Many other crew members, especially waiters, do the same thing.

Mrs. BENTLEY. Not the same ship?

Mr. MESKIN. It may or may not be. Many of the same ships that work the Mediterranean work the Caribbean. So we have a measure of control.

Mrs. BENTLEY. That would be a measure of control on board the ships. But when you board in the U.S. port perhaps.

Mr. MESKIN. Perhaps. But in my opinion, once people get into the habit of doing things frequently, it will carry through to other places.

Mrs. BENTLEY. There is under the U.N. aegis the International Maritime Consultative Organization and IMCO has established a safety measures program for ships internationally to force ships under other flags to improve their safety, almost to the point of what we have in the United States. I am talking about cargo ships now and tankers, that type of thing.

Perhaps if we could work something through IMCO to improve the required safety measures on ships—however I want to warn you and warn everybody that that process takes a long time to accomplish, and what Mr. Carney said is the Americans should be aware we don't have protection overseas.

Thank you, Mr. Chairman.

Mr. BIAGGI. Mr. Thomas.

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Mr. THOMAS. Thank you, Mr. Chairman.

I, too, want to add my thank you to Mr. and Mrs. Meskin for coming today. Not only does this committee appreciate your willingness to come here, but I am sure the entire country does as well.

I wanted to make one or two points, I didn't quite understand a couple things that I want to go back over.

You told of the fact that you saw these four terrorists for the first time on Monday during the lunch hour and did you not say that some waiter near your table had made the comment in waiting a table near you that he had seen them on board for some time before that; is that correct?

Mr. MESKIN. I said that Mr. Weltman, who was one of the American passengers, had told me that his waiter said that he had seen them at an adjacent waiter's station and that they had been there for the entire trip to that point.

Mr. THOMAS. But that was the first time you had seen them was on Monday when they came in during lunch?

Mr. MESKIN. That is correct. I may have seen them before, but I didn't recognize them.

Mr. THOMAS. Right.

Mr. MESKIN. There were about 700 passengers on the ship.

Mr. THOMAS. All right.

Mr. Meskin, let me ask you this: Did I understand you to say that even though the passengers were separated according to nationality, that you saw—did you see any different treatment to any of the nationalities? Did you feel as Americans you were being treated any differently, more harshly or what?

Mr. MESKIN. Well, the Americans were singled out. We were subjected to certain bombastic statements that no other group were.

Mr. THOMAS. Right. This is sort of what I am leading to and this might get a little sensitive. If it is, Mr. Chairman, you will have to advise me.

You told of how you went out on, as I took it, onto the bow of the boat, onto the deck, and there were gasoline cans with the caps removed that were sitting in the midst of the group that you were in.

Mr. MESKIN. Yes.

Mr. THOMAS. Obviously that was a very real threat to your life. Anything could have happened at that stage; am I correct?

Mr. MESKIN. I would say so.

Mr. THOMAS. During the time as well as having your life threatened in this manner, were the guns ever pointed directly at you or did you see them pointed directly at members of the crew or passengers?

Mr. MESKIN. They—I would say that they were. They carried the guns and—let me change that.

A fair portion of the time one or two of the machineguns were carried in a cradled position in their hands.

Mr. THOMAS. Sure.

Mr. MESKIN. When they are carried in the cradle position, the guns are of necessity pointed at people.

Mr. THOMAS. And I believe Mrs. Meskin said they had hand grenades that you saw from time to time.

Mrs. MESKIN. All the time.

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Mr. THOMAS. Playing with the pin.

Mr. MESKIN. Yes.

Mr. THOMAS. So there is no question about it that even though they might have been hiding under the guise of some cause and made a point they had not stolen anything, the truth is that they apparently and realistically endangered the lives of many people and what could be more important if you were going to take something from someone than their life.

Mrs. MESKIN. There were two other instances besides sitting on the deck where they tried to threaten us, but I think you have seen that in the newspaper.

Mr. THOMAS. Right.

Let me just make this closing comment again. I think to me what comes loud and clear—going back to my good friend and colleague Mr. Carney's statement—that it will be very difficult if the United States acts alone. Certainly it must do everything it can of its own volition but the truth is that international terrorism is an issue that we are going to take on, and those nations who are opposed to terrorism, those civilized, rational, law-abiding nations that uphold the willing intent of civilized people, are going to have to take a stand and when a terrorist act is made, the country upon which it is perpetrated has the responsibility and we, as civilized people around this world, have an obligation to band together to stop the terrorist acts.

We don't condone piracy, we don't condone murder, and whether these acts occur in the process of some of this terrorist activity, the threat is there always. It is very apparent and it is possible and it could happen. Until we literally as nations that don't condone this behavior, and as a civilized people who hold value of human life high, until we take action and come to some commonality of agreement and establish a criterion which says clearly, once you have crossed that border and you have begun to perpetrate a terrorist act, then the entire nations of the world who have come together on these agreements will work to prosecute you and bring you to justice.

We are working hard in arms limitation to come to agreements; I hope these things can come along, too. I can think of nothing more important than at the same time with the threat of terrorism, to come to a similar agreement. All freedom-loving and life-loving people must take that action.

Thank you for the effort you have made in that regard. I think you have made a tremendous contribution. Thank you, Mr. Chairman.

Mr. BIAGGI. Mr. Saxton.

Mr. SAXTON. Mr. and Mrs. Meskin, I know by this time you know how much we all appreciate your being here. It has been said over and over, and we feel very honored and pleased that you are here to help us help the American people.

I take it from your testimony that you feel that there is relatively little that could be done to undo a hijacking after it has occurred, and I appreciate that. I certainly know—as was pointed out by other members of the committee—how you must have felt. I am happy in a way that we have started to focus on some preventive ideas and particularly Mr. Carney and Ms. Mikulski and others

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have asked questions relative to how you feel that we should proceed to put some type of preventive measures in place.

I would like to pick up on that for a moment, and ask you as travelers with some experience whether or not you think that other people are now reluctant to take cruises similar to yours. Further, if that is the case and if we were to set an example in this country of putting in place some type of security, isn't it true that, just as a matter of business practice, that owners of cruise lines around the world would be forced just as a matter of good business practice to promote safety in order to encourage people to take cruises?

Mr. MESKIN. Mr. Saxton, you are absolutely right. Let me say this, that last week toward the tail end of the week, I received a phone call from a lady who lives in a town, oh, I would say 4 or 5 miles from where we do, and she was going on a trip with a group of 14. They were going (the trip was sponsored by the same travel agency that sponsored our trip) to Italy and she wanted my opinion as to whether I thought they ought to take the trip or cancel it.

So obviously people are taking it seriously. I must admit I gave her an unequivocal answer. I wasn't going to say yes and I wasn't going to say no. It was her decision.

Mr. SAXTON. Perhaps the outcomes of these hearings may be an international seaport act being adopted or it may be some other activity that we think appropriate in terms of trying to get the world community to cooperate with us in preventing hijackings, but if nothing else, it seems to me if we can do something on a national level to keep people's attention on the fact that there is a danger and that in shopping for a cruise if you are going to take one, that one of the things you ought to shop is the safety factor.

Mr. MESKIN. Well, we have a couple of friends who take cruises, but they take cruises in American waters. We never thought about it before. Maybe that is what we will do on our next trip.

Mr. SAXTON. Thank you, Mr. Chairman.

Mr. BIAGGI. Mr. Bateman.

Mr. BATEMAN. Thank you, Mr. Chairman.

I would, like all the other members of the committee, like to say we are indebted to you, Mr. and Mrs. Meskin, for your coming forward and presenting your information from the extremely valuable perspective that few others could bring to us as well as you can.

You mentioned that this was your third cruise experience and you have touched upon this but would you tell us whether or not there was any difference in the degree or existence of any security precautions in any of the two preceeding tours or cruises from this one?

Mrs. MESKIN. No, there was no security. The first one we took was the Greek Islands and there was no security there. The second one was the Caribbean and there was no security. And so we felt very secure that all ships were safe. And this was our third and as you know, there was no security.

Mr. BATEMAN. Yes.

With reference to the inspection, x-raying or other procedures of baggage, if the passengers who were boarding the ship have flown to the port of embarkation, if their luggage has gone through security provisions at the airlines, is it possible that you could bypass a

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duplicative type of security measure portside for those bags or if you did that, do you present a complication where something slips through the cracks?

Do you have any views you could share with us as to whether or not there is a way to practically distinguish between baggage which is brought from an airline and that which is not, and what security might be in order in terms of baggage inspection?

As an adjunct to that, for those passengers on cruise ships who came to Genoa or Milan or whatever the port of embarkation or debarkation was, did you have access, did those passengers have access to their luggage from the time they put it aboard the plane and the time they boarded the cruise ship?

Mrs. MESKIN. Oh, sure. No question about it.

Mr. MESKIN. You had access to the luggage when we landed in Milan. You picked out your own bags; they were put in a pile and if you wanted to go to your bags and pick out something, nobody would stop you.

Mr. BATEMAN. So as a practical matter, if you were going to have inspection of baggage you would have to do it across the board, you just couldn't isolate on that which was airborne-originated as opposed to others.

Mr. MESKIN. I would think so, and I would think it would be possible to use something similar to the containers theory now used on cargo vessels where you load a container and the container stays that way. I would think that that would be possible.

I don't know any details about it, but you asked the question and I would think that that would be conceivable.

Mr. CARNEY. Would the gentleman yield?

Mr. BATEMAN. Yes.

Mr. CARNEY. The assumption was that their baggage was inspected on the plane. That is erroneous because they only inspect carry-on baggage in most instances. If I may add, containerizing luggage is good until your wife needs her makeup.

Mr. BATEMAN. First things first, I guess.

That is all the questions I have, Mr. Chairman.

Mr. BIAGGI. Mr. McKernan.

Mr. MCKEKNAN. Thank you, Mr. Chairman.

I would just like to follow up with Mr. or Mrs. Meskin on the bags.

As one who has not taken a cruise who always thought he wanted to and now is not so sure, are the bags taken on board for you and put in your various rooms? How does that work?

Mr. MESKIN. Yes. When we came into Genoa and we came to the cruise ships——

Mrs. MESKIN. Port.

Mr. MESKIN [continuing]. Well, the port, but each cruise or liner has a very large, long building and all of our bags were taken from the bus which had gotten them from the airport and these bags were brought into this long room and then all the passengers were asked to go take a look and indicate which were their bags and tell the stevedores which was their bag and what their cabin number was, and the stevedores would mark it in crayon on the bag and when you got into the ship and got to your cabin sometime later, you found your bags there.

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Mr. MCKERNAN. So it would be possible from the time the bag was marked to the time it arrived in your room to check it. If that would require some delay of some number of hours, would you think that that would still be worth it because of the security?

Mr. MESKIN. I think it would.

Mr. MCKERNAN. One other question. You have been here a long time and I don't want to prolong this and we appreciate your willingness to answer these questions because it is obviously a situation that needs attention, but we talked about some of the problems and some of the potential solutions to addressing this issue because of the international nature of the cruise industry.

There are some things as Congresswoman Mikulski suggested, we can do unilaterally, whether it is landing at ports in this country, there are probably preferable ways, such as an international agreement.

Assuming we may have trouble with international agreements, how far do you think we ought to go in this country in taking unilateral action for people traveling overseas? Let me give you a couple examples.

We could require that there be a notice on every ticket that is sold in this country; we could require there be a notice in every advertisement, in every package offered as to whether or not the particular liner does meet certain safety standards.

Or, we could prohibit even issuing a ticket to an American in this country for any vessel that did not meet the requirements, or we could prohibit advertising of any package on any liner—there is a difference in degree there.

How far do you think we ought to go in trying to protect Americans who are traveling abroad?

Mrs. MESKIN. I think that before they make a commitment they certainly should be handed a slip of paper that says as an American citizen we cannot guarantee your safety at this or that location. If they choose to go, the individuals have their own problem. But I think as a tourist that nothing has been pointed out to say this is dangerous or it is not dangerous.

As the Congressman said or whatever his status is, people are not aware that our baggage is not secure. People are not aware that their safety is not secure. I think a very definite commitment on the part of the Government is to inform them. I know this will blow over in a week or two, but if they could do something like that then people going on these cruises--people that are not aware of this incident—might become a little more aware.

Mr. MCKERNAN. I take it your position would be that what is needed is notification for potential travelers and that we ought not to require that a foreign vessel in fact take these steps, but that we ought to make sure that Americans who might be traveling abroad know that these vessels have not taken the steps and therefore, their safety might be in jeopardy?

Mrs. MESKIN. I think I would do both measures, first require the European travel agents or whoever run these ships, let them know you will not let your people go because they don't have the right security and on the other hand, I would also inform the American people that these ships are not secure.

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Mr. MCKERNAN. I am not sure that there isn't a distinction there and that is that we won't have to worry about informing Americans if we don't allow the tickets to be sold anyway.

Mrs. MESKIN. Fine. That is fine.

Mr. MCKERNAN. Do you think it ought to be a question of notification so the people know or should we actually prohibit the advertisement and sale of these tickets on vessels that have not taken necessary precautions?

Mrs. MESKIN. Can you do that? Stop people from going?

Mr. MCKERNAN. We cannot stop people from going but we can stop people from offering for sale those particular cruises and for perhaps even prohibiting the offering of tickets in this country. That is not to say an American could not find that ticket and buy it overseas and find out about it in some other way, and it would be perfectly free to do that but we could stop commerce in this particular country.

I wonder whether you think we ought to do that or whether it should be a notification?

Mrs. MESKIN. I think it would be wonderful if you could do it. I am sure under those circumstances the European countries would change their attitudes.

Mr. MCKERNAN. I think you are probably right. They will probably meet the standards that were set if that were the penalty for not doing so.

Mr. BIAGGI. The gentleman's time has expired.

Mrs. Bentley, I know you are anxious to ask one more question.

Mrs. BENTLEY. I know you have been listening to a lot of the questions and discussion about airport security. If anybody looked at the different ports though, they would see it is literally impossible to have port security as we have airport security.

An airport area is a confined space where people go. You go down to a waterfront and you see how open it is, how spread out it is, and there is no way to keep the small boats from coming up alongside the passenger ship or anybody else from getting on board if they want to.

You cannot enforce that anywhere in the world, even here in the United States.

Mr. BIAGGI. Well——

Mrs. BENTLEY. I have been around many, many ports, Mr. Meskin, all over the world.

Mr. MESKIN. Mrs. Bentley, I will disagree with you.

Mrs. BENTLEY. OK, well——

Mr. MESKIN. I think some measure of protection is better than nothing at all.

Mrs. BENTLEY [continuing]. You can do some, but you cannot block it all out.

Mr. MESKIN. Of course not. You cannot stop anything, neither can you stop the Congressman sitting next to you from smoking. Regardless of all the warnings that the Surgeon General has put out over the years, he still is smoking. If he wants to do it, he does it. That is his prerogative.

Mr. BIAGGI. I would like to close this phase of the hearing. Many questions were put to both of you that would be more appropriately put to the agencies that will follow.

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I have every confidence that there are plans in place to deal with matters of this nature, and I am sure they will be revealed to the subcommittee.

We do have an interagency task force that was developed to deal with terrorist situations. How it would mesh with this particular situation we await to hear. The fact is what occurred here is a rare occurrence. I am concerned about the possibility of the copycat syndrome following as it has in many other cases. I am satisfied that there is little or no security in the ports, nor on the vessels, domestic or foreign. I am also convinced that there should be and will be and must be an upgrading of security in all those areas.

We have a right, an obligation, and the ability to impose certain security requirements. We have done it with the airplanes. Some may argue it is not comparable—well, it is not on all fours, but on principle it is the same.

We have an obligation to provide Americans, all people really, with a sense of security. The atmosphere of tranquillity that existed traditionally on cruise ships will undoubtedly be diminished for a little bit, but as Mrs. Meskin said, in a week or two, this whole episode will become part of American history.

I assure you under ordinary circumstances, that might be true. But because of Mr. Leon Klinghoffer's death, an American was killed, his memory and that murder will provide further inspiration to the members of this committee and the Congress and the entire U.S. Government, as well as the President, to make certain that Americans are not left naked when they travel on any form of carrier in the world.

Clearly, the cruise vessels have an obligation. Some measures they do provide on a voluntary basis—not all, just a few provide some security. I know they are responding to the situation in some measure. Whether or not it is adequate remains to be seen. Whether it will be sustained or whether it will be just a measure to deal with the present feeling that pervades our country and the world is another matter.

We will make every effort to see that proper measures are taken and that they will be in effect, not depending on any administrative change or the whim of a cruise operator.

Mr. and Mrs. Meskin, we once again commend you. I know where you are going from here, and I admire your guts and your determination, and you are undaunted and unflagging in your commitment to carry this to an end.

On behalf of this committee we would like to thank you very much.

Mr. CARNEY. Mr. Chairman, may I?

Mr. BIAGGI. Yes, Mr. Carney.

Mr. CARNEY. I want to commend them, too, but I feel compelled, very strongly and I seldom do something like this, but anyone who flies from the United States to a foreign port, boards a foreign boat going to foreign ports, is not safe, and don't let this hearing make you think you might be in the future.

We in this committee can do virtually very little about the safety of people who would do that. I feel compelled. My conscience would bother me that if the outcome of this hearing was that the Ameri-

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can public thinks that we could change the security on that ship more than 2 percent, then we are misleading them.

Mr. BIAGGI. I thank my respected colleague and my good friend, Bill Carney, but he and I disagree. Clearly, I disagree. I think something should be done and something will be done, and the American people will countenance nothing less.

At this point, we thank you for your testimony and I would ask for a 5-minute recess.

[Recess.]

Mr. BIAGGI. The meeting is called to order.

Lieutenant Colonel Frank Mazzone, President, International Association of Airport and Seaport Police; Douglas Ward, director, International Cruise Passenger Association, publisher of Cruise Digest.

Gentlemen, Mr. Ward, if you would come forward.

**STATEMENTS OF LT. COL. FRANK MAZZONE, PRESIDENT, INTERNATIONAL ASSOCIATION OF AIRPORT AND SEAPORT POLICE; DOUGLAS WARD, DIRECTOR, INTERNATIONAL CRUISE PASSENGER ASSOCIATION, AND PUBLISHER, CRUISE DIGEST**

Colonel MAZZONE. Thank you, Mr. Chairman.

Mr. BIAGGI. Let's get down to the real nitty-gritty.

Colonel MAZZONE. Mr. Chairman, I am Lt. Col. Frank Mazzone, Deputy Superintendent of the Maryland State Police and president of the International Association of Airport and Seaport Police. The International Association is in fact international, and its members are law enforcement officials from virtually every corner of the world.

One of the things that the IAASP or the association had done starting back in probably 1982 was to work on the development of what we now call a Cargo Security Manual, and it is now 1984—in 1984 it was published and all members of the association have it.

The important thing is that as part of that manual, there are a number of pages, a couple chapters that refer to the problems we are talking about here today. That is, hijacking of both cruise ships and cargo ships, piracy, bomb threats, and the like.

At about the same time, from 1977 through probably 1983, my assignment with the Maryland State Police included that of being director of the Maryland Port Administration Police Department. The Maryland Port Administration Police Department, in a nutshell, handles law enforcement activities in the Port of Baltimore. While there is not a large cruise ship operation there, there is a large cargo-handling operation.

Because of the success we were able to have in the Port of Baltimore in improving security we had been invited both as members of the Maryland State Police and as members of the International Association of Airport and Seaport Police, we have been invited by the U.S. Maritime Administration and the Organization of American States, to put on port security seminars and we have done so, all through South and Central America and the Caribbean.

We have had meetings in many parts of the world with our counterparts encouraging them to improve port security and starting

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with access control, what we are talking about here today, access control to the port areas.

I know there are many different kinds of port areas; open, closed, limited access, and so on, and we could talk about that. But encouraging them to develop an access control system and then beyond that encouraging the private sector—this has been mentioned here today and is the key to the problem I believe—getting the private sector or cruise ship operators to have some kind of a screening mechanism both for the passengers and their carry-on luggage and for the luggage that is put on board the ship by the stevedores.

I know it is difficult. I know it would be very, very difficult to mandate security procedures in the ports around the world, but I think as has been pointed out here, the United States can and should be the leader in that regard.

We have heard much about the access to the luggage by the passengers at various points along the way. That is true. It is true that some passenger may get on a ship in the United States or they may fly to some foreign port and get on the ship there. But if the cruise ship operator or the people operating that ship wanted to, they could certainly institute security operations and check that luggage after it is on the ship but before it gets to the passenger. It can be checked while the ship is underway. We must certainly make sure that the employees of the ship are the kind of employees that we want. We must certainly make sure the people who service the ship and put the food, water and other supplies on the ship are the kind of people we want on the ship. We need a good screening procedure. It is not an easy task but I think we can improve the security on passenger ships and cruise ships.

The manual I referred to does have several pages referring to this topic. I have made one available to the committee. I would certainly be willing to answer any questions you may have.

Mr. BIAGGI. Mr. Ward.

## STATEMENT OF DOUGLAS WARD

Mr. WARD. Ladies and gentlemen, I do have a fairly lengthy kind of statement. First of all, for those members, especially of the press, who may be here and have not taken a cruise or have not been on the ship, I would like to just correct one or two statements that were made earlier.

First, a passenger ship has been referred to as a boat in this hearing this morning. Let me just remind those people that a boat cannot carry a ship, but a ship carries boats. That is the difference between a passenger ship and a boat.

Perhaps a little background into the idea of a cruise as a vacation would be important to this point to lead into some statistics that I have.

First of all, I would just like to mention that I am the executive director of the International Cruise Passenger Association, and the publisher of a newspaper about cruising and ships.

I am also the author of the Berlitz Cruise Guides and Berlitz is a large international travel guide publisher based in Switzerland.

For most people a cruise is a dream vacation that represents personal investment, in discretionary time and money, and an experi-

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ence that is for the most part, entirely relaxing, carefree, and void of concern for personal security.

A cruise promises to take passengers away from the pressures and restraints of contemporary life ashore, into the realm of fantasy, unexplored places, and different cultures.

A cruise ship is itself a floating resort destination, and in addition, serves as transportation to other destinations—all in virtually a crime-free environment that may best be described as personal contentment in a capsule.

Statistics compiled by the International Cruise Passengers Association indicate that a cruise ship offers the safest form of vacation environment in the world. During the past 25 years, there have been two instances of ship hijacking or seajacking, one of which ended unfortunately with the death of one passenger.

During the same 25-year period, it is estimated that a total of over 32 million passengers have enjoyed a cruise vacation worldwide. Thus, with one passenger killed as a result of terrorist activities, the odds of this being repeated at present are 1 in 32 million.

No other form of vacation or travel experience can approach this outstanding record for passenger safety and security. In addition, more than 20 million passengers travel by passenger ferries worldwide each year.

To the owners and operators, ships are floating business investment portfolios, and the protection of those portfolios is naturally given serious consideration as in any business. Likewise, the safety and security of any cruise ship, its passengers and crew are of primary concern to the operating master in charge of that vessel.

However, from a security standpoint, ships are the largest and one of the slowest moving objects made by man. Thus, they make ideal targets for major acts of terrorism and war. They should, therefore, in the interest of all concerned, be made as secure as possible.

What, then, about the question of ship security? Traditionally, the subject of security on board passenger ships has been one of low profile with no industrywide standard, the establishment of security procedures being left to each individual line to handle.

Security measures at present in use by cruise lines worldwide range from highly sophisticated to less than sophisticated.

It is my personal contention and my professional opinion that most cruise lines already have in place measures of security of a high order. However, in order to effect an even more security-efficient environment without inconveniencing passengers or initiating too many additional burdens on cruise lines, the following proposals might be considered in the promotion of an even safer vacationing environment, and in further enhancement of the already high level of passenger confidence.

No. 1: I propose that ships departing from U.S. ports be required to initiate a thorough bomb search and arms search routine and inspection of each vessel within 24 hours of leaving port. This could easily be effected by a specially trained section of officers and crew and could indeed be conducted during normal passenger lifeboat drill during which time search parties could even access passenger cabins to search for arms or bombs or explosive devices without inconvenience to those passengers.

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Personnel would be required to initiate a thorough search of their sections and report to the controlling officer on the bridge. This entire operation could be effected without the knowledge of passengers, under coded directions.

The second proposal that I would make is that video cameras be mounted at all gangway and hull access points, or at the very least, for those cruise lines that operate large vessels, video cameras could be mounted on both outer bridge wings. This would give scanning access alongside the complete length of the ship with monitoring and control on the bridge or in the office of the chief security officer on board.

This system would not only help control unwanted visitors, but would also form an advance coded alert in most cases of suspected intrusion.

My third proposal is that in sensitive and potentially dangerous destination ports, dive teams be required to inspect the ship's hull at regular intervals for evidence of explosive devices, and a log kept of these activities, the personnel involved and their reports.

The teams can be made up from members of each ship's sub aqua club, common on most major cruise vessels.

The fourth proposal has already been discussed, and that is that all passenger and crew baggage be required to be inspected by equipment at all embarkation ports, including wayward ports by those lines operating out of U.S. ports.

Funds for the purchase, lease, or daily rental of these units—currently the units rent for $5,000 per day per unit—could be effected from an industrywide interline security fund aided by moneys allocated by either passenger taxes or indeed a special U.S. Government national transportation security department.

Those are the main proposals. Other recommendations are as follows:

Because the bridge is the command center of any ship, it should naturally be made secure as possible. Access doors from the bridge, the deck itself, should be made of solid steel or at the very least, heavy wood, with solid steel facings. In addition, video cameras and/or electronic key cards could be used to identify personnel for access to the bridge.

Bridge visits by passengers could be discontinued for the time being. During any passenger entertainment on board ships, there is always an open house lecture, during which a film of the bridge or the command center could be shown to passengers in lieu of personal visits.

Crew identity passes should be issued by all lines. These could even be on a deposit system to ensure they are not misused or given to unauthorized persons.

In addition, crew on ships in sensitive destination ports and areas could be required to sign a security log each time they leave or enter a ship.

And last but not least, passenger boarding cards should be issued by all cruise lines and should feature the date of issue, the name of the cruise ship, and the ship voyage number, together with a signature panel. This would be completed at embarkation and issued.

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Gangway guards or security patrolmen could at any time then request the passenger to sign an additional card in cases of suspicion.

Ladies and gentlemen of the committee, I thank you for your time and attention.

Mr. BIAGGI. Thank you for an excellent statement, Mr. Ward.

Regarding, your suggestions, there are some we thought of before, but there are a number of them that come to us for the first time. We appreciate that.

Mr. WARD. Thank you.

Mr. BIAGGI. What do you think of those suggestions, Colonel?

Colonel MAZZONE. I think they are pretty good. Some are in the manual we have provided to the committee. The only comment I have about the one, which I certainly agree with, that says secure the bridge and have limited access, I would think that the same thing could happen there that would happen with the pilot of a plane. If in fact the terrorists are in the passenger area and in fact take 80 hostages and threaten to kill one or more, then the captain will yield to their demands.

But nonetheless, it still is a good idea.

Mr. BIAGGI. How about the communications system, Mr. Ward.

Mr. WARD. Naturally the radio room is a prime target because of communications. There is one other method that a captain of a ship or officer on the bridge could institute very quickly, and that is to close all watertight and fireproof doors. This would prevent terrorist access to the lowest passenger decks and also to the crew accommodation and the working alleyway, access to the engine room, and so forth.

Naturally if somebody is holding a gun to your head you would be willing to open those doors, but it would certainly slow things down and possibly give communications officers time to sound an alert ashore, via an internationally recognized coded communication signal.

Another idea would be to have a distinctive color flare so that ships in distress under security siege by terrorists should be made to fire this flare at hourly intervals. Terrorists may not agree to this, but it is a possibility to let people know the ship is in distress.

Mr. BIAGGI. How about another transmittal unit? All things being equal I am sure those hijackers know exactly where the controlling points are. They go to the bridge and engine room and you have taken effective control of the ship.

Another concern would be cutting off communications.

They know where the radio room is. Is there a possibility of having another small transmittal unit so that one of the officers, if the captain or one of the officers are aware of it, and have the ability to move around the ship, would be able to communicate.

What about that?

Mr. WARD. I think it is an excellent idea. It is an expensive idea as far as the cruise ship operator is concerned.

Mr. BIAGGI. How expensive is that, Mr. Ward?

Mr. WARD. I wouldn't like to guess at this point. It depends on the sophistication of the equipment, but certainly if you are thinking of putting additional communications equipment, for instance,

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on the aft deck of a ship, then you have giveaway signs such as cabling and antennae that could be spotted.

Mr. BIAGGI. I understand that. It is not my intention to burden any of the operators with extraordinary expenses if we can do it in a modified fashion.

Could you use the basic structure but using a different point of transmittal, and hook into it? I am not an electronics expert at all, but my thinking is you have the basic structure. Could you hook into that from another area, perhaps not a long distance from the radio room, one that would be unknown to most people?

Mr. WARD. Certainly. On many of the larger cruise ships there are security officers and a security force in place. They do regular patrols 24 hours a day, not only for security of passengers and the vessel but also as fire precautions.

Certainly the office of the chief security officer would be an ideal place or perhaps in his cabin or some distant place remote from the bridge where a portable transmitter could be hooked up in a matter of minutes, yes, it is a very good idea.

Mr. BIAGGI. That is inexpensive, isn't it?

Mr. WARD. I would think that would be quite inexpensive, yes.

Mr. BIAGGI. That is my thinking, too. Thank you.

With relation to your suggestions, as I said before, I think they are commendable. Would the cruise operators be prepared to implement them?

Mr. WARD. This is a big question. Unfortunately there is, as you say, only one U.S. operator who has three vessels, not two, one is the *Constitution*, the second is the *Independence*, and the third vessel which comes into being in 2 months' time is the *Liberté*, which will operate in the Tahitian Islands.

Most foreign flag vessels already have fairly sophisticated security measures in place. Several ships have used x-ray machines for baggage. One ship that I know of has it permanently installed and has been using it for about 8 or 9 years. Metal detectors are used on the piers for certain vessels. In addition there are number of other measures implemented by the cruise lines. But the question really is one of trying to keep the low profile so that passengers are not scared away from all this. It is a leisure industry and if we are going to implement measures where you need to carry cruise marshals like sky marshals, we may as well do it on every Amtrak train between New York and Washington and at every resort hotel in the United States.

Then we would be scaring people into not going out of their houses.

Mr. BIAGGI. Well, I am not so sure whether the marshals would be the answer, but people have suggested it. If there were marshals, I am sure they would be dressed in the same casual fashion as the other passengers enjoying the assignment.

Mr. WARD. Yes.

Mr. BIAGGI. You said something that concerned the foreign vessels. You say they have substantial security. Did I understand you correctly? Is my understanding correct?

Mr. WARD. A number of foreign flag vessels do have very tight security measures, yes. Some of them operate out of U.S. ports, some of them operate out of British and European ports.

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Mr. BIAGGI. You say a number. Would you venture a guess?

Mr. WARD. There are——

Mr. BIAGGI. Before you respond, it is my understanding very few have substantial security, maybe the *QE-II* has good security, but not many others.

Mr. WARD. I think perhaps the Norwegian lines would be a very close second to the British lines. In fact, within the British line—not only Cunard but the Princess Cruises and P&O—most of the senior officers are also members of the Royal Navy Reserve and are trained in antiterrorist activities.

Mr. BIAGGI. I am informed the Norwegian line doesn't do baggage screening.

Mr. WARD. It depends which port we are talking about. Certainly out of the USA Norwegian lines traditionally have been of low profile but they have internal security forces and I do believe that they do spot checking of luggage.

Mr. BIAGGI. You say they have internal security forces. Do you have any idea what the number of personnel in those forces are?

Mr. WARD. This would depend on the size of the ship involved but certainly a ship, say, the size of *QE-II* which is 69,000 tons—you would have to ask Cunard line for the exact number—I venture to guess the security forces are well in excess of a dozen or so men.

Mr. BIAGGI. How about the other vessels? How large do you think they are? *QE-II* is one thing.

Mr. WARD. Most of the vessels that cruise out of Miami have a security force and they do patrol 24 hours a day. As I said before, not only for security but also for fire prevention. And I don't think there is a cruise line that is cruising out of Miami that doesn't have some sort of operational security force in place and have had for some time.

Mr. BIAGGI. Colonel Mazzone, you said something that was interesting, some cruise operators told us that screening of luggage would delay departure 6 to 8 hours. You said something about screening luggage on board before it was turned over to the passenger.

Colonel MAZZONE. That is a possibility, yes.

In the description we heard earlier from the previous witnesses, they described how luggage was available at certain points. But there came a time when the luggage was turned over to the stevedoring crew and the room number or cabin number was written in chalk on the side of the luggage.

If that were done at the berth then the luggage could be put into the ship into a holding area, for example, at the airports we have a baggage makeup room. Certainly they would need such a room and probably have one on board the ship now.

Every piece of baggage could be screened through appropriate devices without being opened more than likely, for certainly weapons, and gunpowder. It would probably not detect unless you used x-ray, liquid that might be in there. But it could be.

It could be examined while the ship is underway and there comes a time even now when that luggage is carried to the cabin area and either put in front of the door or put inside the cabin. The passenger certainly could be advised on the brochures and on the tick-

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ets to carry along their shaving gear and other articles they will need for the first hour or two, and that could be screened the same as at airports as we go through the screening point—like at the airports—when you go on the ship and the luggage would be arriving at your cabin within 3 hours of departure.

So that there could be screening while under way that is not necessarily holding up the ship. It will probably be held up for a while. We all know what that means to the ship operator, they are trying to keep a schedule.

Mr. BIAGGI. Why would it be held up if you do the examination on board? The luggage would go right on in the usual fashion.

Colonel MAZZONE. There is no need for it but there might be. That could be factored in.

Mr. BIAGGI. You heard Mrs. Meskin say that the four hijackers at the end of their stay on the vessel, took out some very beautiful looking luggage, opened it up and put all their weapons in the luggage. One would have to assume that they used the very same luggage to bring the arms on board and the Meskins heard other people say they might have been on board for a while.

If we had this process in place, it would have been susceptible of detection, correct?

Colonel MAZZONE. I would agree, and it probably should have been detected. If we had the appropriate devices and of course those devices could be supplemented with canine teams that could also be doing some detecting.

Mr. BIAGGI. I just make the point that screening is effective.

Colonel MAZZONE. Yes, sir.

Mr. BIAGGI. I agree with Mr. Carney that no matter what we do, we will never develop a perfect system. I disagree with him as to what degree. But also, Mr. Ward, given your special interest and the operators' interest, there still must be some response in order for passengers to feel as tranquil as they have in the past on this trip of fantasy as you describe it. By the way, I am ready to make a cruise after your description—that paragraph was delightful. We note your distinction about boats and ships.

Colonel MAZZONE. Mr. Chairman, I think we need to do what several of the committee people have suggested already, we need to think about the FAA regulations that are in place, decide how best they can be adopted for ships in this country, and then use this country as a stepping stone to get the message across to the other countries, and I think we need to put the emphasis on the prevention side.

We heard the witnesses earlier say what probably would have happened had we attempted an assault on the ship. So we really need to think about the prevention side.

Mr. BIAGGI. No question about that. Prevention is critical.

Colonel MAZZONE. No question.

Mr. BIAGGI. I think the Captain's conduct was correct. Unfortunately we lost one person, but we had the potential of losing considerably more.

You stated something about countries all over the world participating in the forums.

Colonel MAZZONE. Yes, sir.

Mr. BIAGGI. Have any countries refused to participate?

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Colonel MAZZONE. Well, we have several countries that do not participate for one reason or another. Naturally we have no one from the Soviet Bloc participating. We have a few from the Middle East or Far East, but we do have some. We have been involved in some training sessions in some of those countries. We are fairly active, quite active I suppose if you want to talk about South and Central America, and the Caribbean, in their training activities.

But we have been involved in such activities in Europe and the UK and other places. I think this country certainly could, as they have already done through the U.S. Maritime Administration, could send teams of trainers, if you will, from whatever agency, to these other areas because we are convinced, we have proven it in the Port of Baltimore, that if we can encourage foreign ports, the law enforcement side, to do a better job of law enforcement and security, it will benefit our port in the long run.

We have proven that on the cargo side. I think we can do the same on the passenger side.

Mr. BIAGGI. In your opinion, what would be the ideal security measures to be taken with respect to crew and shoreside personnel, passengers and cargo?

Colonel MAZZONE. Well, as we have heard, many of the crew members are not U.S., they are from other countries, it would be very difficult to do a kind of screening like we do in this country, background check.

But nonetheless, to the extent that can be done it should be; that would be for the crew members.

The service people would be the same way. We, and even our foreign counterparts, would probably find it very difficult to screen those people to see if they had been associated with some terrorist group. But to the extent they can, they should. They certainly have some assistance available to them through our Federal law enforcement agencies, even though we are in a different country. Certain information should be available through Interpol and other law enforcement associations.

So to the extent they can check the backgrounds of these people, they should. They should also have strict screening points even for the crew and for the service personnel. Everything from the equipment they bring on board to the personal luggage for themselves, it should be screened, and of course even with all that we may not find out that someone is associated with a group that has such terrorist activities in mind.

So perhaps each ship should have as was described by our witness here now, should have its security chief or master at arms or whatever terminology, he should have a certain number, I don't know how many, of people who are looking for everything from the theft of jewelry from a cabin to the potential terrorist or other criminal activities that might take place. Many of them have casinos and we are convinced that there are some, let's call them crooked card sharks and gamblers that go on board and fleece the passengers.

So they should be looking for those activities, but more importantly for our concern, they should be looking for the potential of terrorist activities.

Mr. BIAGGI. What part do you think the U.S. shoreside unions and seagoing unions should play in the security aspects?

Colonel MAZZONE. One of the problems we have in this country, for example, the worker at a seaport for the most part doesn't work for the company. In many cases, he works out of the union hall. He is assigned to that activity on that day. Those people, talking about the people here in this country, of course, it would be nice if there were screening as to their background. Just because a person had some criminal record shouldn't exclude him from working, but I am talking about the intelligence that might suggest he is involved in perhaps drug smuggling on the one hand or associated with some groups that are advocating terrorist activity.

If we could identify those people, they should be excluded. But even so, the workers should be required to wear the identifiable badge that would suggest even from this distance, the distance between you and I, color coded so we or the law enforcement or ship's people could tell whether that person has a right to be in this area.

That is important, not only for the ships but for dockside reasons. We could go on and on with screening and security measures. Many are in the document we furnished you.

Mr. BIAGGI. It was stated during the question-and-answer period when the Meskins were here that no matter what we do to improve security, we will only improve it imperceptibly.

How would you respond to a proposition like that?

Colonel MAZZONE. Well, I would agree that we will never have a perfect system.

Mr. BIAGGI. I have said that.

Colonel MAZZONE. We all agree. But I am convinced we can do something.

The United States can do something not only here in this country but we may be able to force other countries into improved security operations. It won't be short range but it will be long range, and I know you have other people that you will be hearing from today that probably have some of the clout needed to do what needs to be done.

So between our Federal agencies and perhaps law enforcement associations such as the International Association of Airport and Seaport Police and associations of others that are concerned with the business side itself, we can perhaps force improved security measures.

And I think there will come a time—I don't know how long it will take—where we will feel as safe on ships as we used to, we will feel as safe on ships, both cargo and passenger ships, as we now feel on the airplanes.

We are not convinced 100 percent that every plane we get on in some foreign airport will be safe and secure or even that it is safe mechanically as it would be from an airline in this country, but there comes a time when we have to trust the mechanics and the operators. We feel confident in trusting them now because this country has taken the bull by the horns and said, "You will have these kinds of measures or you will not land in our airports."

We could say the same thing with our seaports and perhaps, as suggested by some of the members here, we can impose some sanc-

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tions that would suggest to the cruise operators, "If you don't do this, you will not get U.S. customers." It is as simple as that.

Mr. BIAGGI. Mr. Ward.

Mr. WARD. Well, I——

Mr. BIAGGI. How would you respond to the question that the colonel has responded to?

Mr. WARD [continuing]. I think as far as the cruise lines are concerned, it is a question certainly one of operating costs. In an industry which is growing tremendously in the number of berths being added to the marketplace, the problem of security is a delicate one.

Mr. BIAGGI. Excuse me, Mr. Ward. Did you say the number of berths?

Mr. WARD. Berths, yes.

Mr. BIAGGI. I thought you said boats.

Mr. WARD. Berths—ship beds, if you like.

With the fantastic increase in the number of new beds coming on line in the marketplace, cruise lines, of course, need increased revenue, and or for the question of increased security personnel, they cannot afford to give up crew cabins for additional non-service-oriented security forces.

Crew accommodation is very limited on cruise ships as it is, and this would be one area that would be very delicate for the cruise lines in the implementation of requiring additional personnel.

Mr. BIAGGI. But the——

Mr. WARD. Go ahead.

Mr. BIAGGI Let me pose the question this way.

Mr. WARD. Yes.

Mr. BIAGGI. During the question-and-answer period when the Meskins were here, an implication was drawn that no matter what we do in improving the security, no matter what measures we put in place, it won't improve security 2 percent.

Mr. WARD. It may not, but on the other hand, there are no guarantees in life.

Mr. BIAGGI. That is a very philosophical response.

Mr. WARD. You are actually much safer on a cruise ship than you are on your own city street.

Mr. BIAGGI. We won't go into that. We will give you that.

Now we are talking about something new occurring in the world and there is a response required.

Mr. WARD. Yes.

Mr. BIAGGI. All right.

Mr. WARD. I think it would be——

Mr. BIAGGI. Your suggestions indicate that you agree there should be.

Mr. WARD [continuing]. I do agree, and I think the United States is in a very good position to initiate security measures that I think the rest of the world will have to follow.

Most of the cruise operators in the world operate their ships with a view to acquiring U.S. passengers. This year, in 1985, there will probably be something like 2.5 or 2.6 million passengers worldwide; of those, 1.6 million will be North-Americans.

Earlier, we mentioned ship security and Colonel Mazzone mentioned the subject of Soviet ships. I must tell you that the security

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on Soviet cruise ships—and the Soviets have the largest cruise fleet in the world—is very, very tight. Having been on a number of them, I can attest to that.

Mr. BIAGGI. Would you give us your experience? What do they have that we don't have?

Mr. WARD. They just have more stringent gangway checks, No. 1. For passengers onboard, they will check the ticket more than twice; they will check it in the embarkation, they will check it—of course, all U.S. lines and foreign flag vessels do this, too. This is the first measure of security, the checking of passenger tickets and documents.

But the Soviets certainly do this very, very thoroughly. They require it in the embarkation hall, and normally on the ships that I have been on, at the bottom of the gangway and again once you get onboard the ship, inside the actual lobby.

You are escorted to your cabin on a Russian ship. You are not left to your own devices.

Mr. BIAGGI. Are you told when you can leave the cabin?

Mr. WARD. Not quite. And the food is not as bad as they say!

Mr. BIAGGI. What else do they have, Mr. Ward?

Mr. WARD. I think it depends on the country that they are operating in. Certainly they don't operate at this time out of U.S. ports, but they operate frequently out of British ports; in fact, they have year-round schedules out of Great Britain, Australia, South Africa, Germany, France, and Spain.

Mr. BIAGGI. Colonel?

Mr. WARD. Their cruise fleet is approximately 35 vessels, many of which are on charter to foreign operators, but security has always been a good, tight question on Soviet ships.

Mr. BIAGGI. They are well known for their security.

Mr. WARD. They have been traditionally.

Mr. BIAGGI. That is——

Mr. WARD. Not only on ships.

Mr. BIAGGI [continuing]. That is just my opinion.

Colonel MAZZONE. Mr. Chairman, I had an opportunity to work a security operation onboard the *Odessa*, a Russian cruise ship. It is just as has been described, at the gangway and——

Mr. BIAGGI. Do they have screening devices for luggage?

Colonel MAZZONE [continuing]. Well, that is the point I don't know. But I have a guess. I have a guess that the luggage went through a screening point and I would hazard a guess that perhaps some luggage was searched. I don't know that to be a fact.

Had I thought about it in advance, I probably would have put a tattletale or two on my luggage just to see, because I was curious. But because of the way that the people were, I just had a sneaking suspicion that perhaps such things did take place. I don't know that they did.

I would like to have been able to go down into those areas, but I couldn't.

Mr. BIAGGI. But until the last experience of the four hostages, I would think no one was really angry with the Soviet Union. Terrorists weren't. But now that has been destroyed.

Colonel MAZZONE. If I can mention this, it was mentioned the cruise lines are in business to make money——

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Mr. BIAGGI. We have no quarrel with that.

Colonel MAZZONE [continuing]. But I think we all need to ask ourselves just as the airline people did, I wonder what this hijacking cost that cruise line, what did it cost in actual dollars and I wonder what it might cost in terms of loss of business, not only for that line but for others, and I wonder how that would compare with what it might cost for the kind of security operations we have been discussing here, screening operations at least, over *x* number of years.

I would think that it would be more cost effective in the long run to put in security measures.

Mr. BIAGGI. One last question from me, then over to my colleagues.

Mr. Ward, do you think passengers would be willing to pay some additional stipend, a small stipend for implementation of a security program?

Mr. WARD. There is already in place a port tax which is added to most passenger tickets. Of course, this varies according to the port visited.

Some lines include the portions in the passenger ticket tariff. Most lines do not, but use it as an add-on after you have paid your fare.

I see no reason that an additional small amount could not be added to the port tax for port and security tax. I don't think passengers would feel that they are being cheated or ripped off. I feel they would be given more confidence of the fact that we are as an industry thinking about passenger security.

Mr. BIAGGI. Mrs. Bentley.

Mrs. BENTLEY. Thank you, Mr. Chairman.

I would like to point out, Mr. Chairman, that Lt. Col. Frank Mazzone is from my home State and is an officer who has truly devoted his time and energy to improving security measures regarding Maryland's seaports and airports

I was very interested in the recommendations that both he and Mr. Ward have made this morning on how the possibilities of adding some security to nonpassenger ships—I thought they were both excellent. You were talking about the costs, Mr. Ward—and I, too, winced when I heard "ships" referred to as "boats."

You were talking about the cost, how much would the estimation on the costs of the suggestions you made be on the cost of a ticket?

Mr. WARD. It is very difficult to estimate because there are no standards within the industry and cruise lines have varying ships of different sizes.

I think the cruise lines that would hurt the most would be those with very small ships and I am talking about ships in the 4,000- to 10,000-ton range. Cruise lines with larger ships that carry more passengers have a wider operating area to play with.

But I certainly think that something could be done across the board if an industrywide fund were set up and it were applied proportionate to tonnage of the vessels in a particular cruise line fleet.

Mrs. BENTLEY. All right.

Mr. WARD. I think it would have to be prorated according to tonnage.

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Mrs. BENTLEY. What is the amount of the port tax now you referred to a moment ago?

Mr. WARD. This depends on the number of ports on the cruise, but for an average 7-day Caribbean cruise from Miami, the port taxes for three or four destinations would be between $35 and $50 depending on the ports. Each individual port assesses its own passenger head tax.

Mrs. BENTLEY. What are those funds used for now?

Mr. WARD. They are levied on passengers just as the airport taxes in the United States. It is a departure tax, but for cruise lines it is both an arrival and departure tax. So ports actually get two kinds of taxes.

Mrs. BENTLEY. Are port taxes added on to the tickets in U.S. ports? Are they included?

Mr. WARD. Yes. It depends where the ship is going. A ship leaving New York on a 2-day cruise to nowhere, there would be little port tax. But on one leaving New York going to the Caribbean area, the port tax would probably be $40 to $50. An around-the-world cruise, the port tax would be in the region of $100–$250, but is normally included in the cruise fare.

Mrs. BENTLEY. Would any of that money go to the port of New York?

Mr. WARD. Oh, yes, indeed. Yes.

Mrs. BENTLEY. It would.

Mr. WARD. It is assessed per person. It is assessed by the port as an arrival or departure tax. It is paid based on the number of passengers carried and that count is on any passenger manifest on any cruise ship.

Mrs. BENTLEY. You said that 1.6 million Americans travel on the cruise ships each year.

Mr. WARD. This year there will be approximately 1.6 million, yes.

Mrs. BENTLEY. What portion of those go on the two American ships that are now plying Hawaiian waters?

Mr. WARD. The portion is a little difficult to work out because the ships only carry about 900 passengers each, or about 1,100 when absolutely full. So we are talking about just under 1,600 passengers per week out of 1.6 million per year.

Mrs. BENTLEY. How much money would you say that the 1.6 million Americans spend on these foreign flag ships?

Mr. WARD. Cruises will range anything from $69 for a 1-day junket out of Miami as an attraction to $329,000 for an around-the-world cruise in the QE-II, in the finest luxury suite, which will accommodate four persons. So in actual fact, the costs would range between $69 to approximately $91,000 per person—depending on the ship, cruise length, itinerary, and so forth.

Mrs. BENTLEY. Are we talking a total of 1 billion, 5 billion, or what would you say?

Mr. WARD. Well, the cruise industry is somewhat reluctant to release its figures because of interline competition. I would venture to guess it is in the many billions of dollars. Certainly worldwide it is.

Mrs. BENTLEY. Maybe the *Achille Lauro* will result in some of that money being spent here, Mr. Chairman.

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Colonel Mazzone, which in your opinion is easier to secure, an airport or seaport?

Colonel MAZZONE. An airport.

Mrs. BENTLEY. If you were going to secure, say, the ports of New York, Philadelphia, Baltimore, Hampton Roads, try to institute security there, which would be the easier port to secure?

Colonel MAZZONE. It is very difficult to answer. Take the port of New York—New Jersey; there are several different kinds of ports there. Some are right on the street and some are enclosed operations. We have the same in Baltimore.

Philadelphia and Norfolk, I think, are all enclosed. So it would probably be a little easier to secure because of the enclosure, if we are just talking about the enclosure question.

There are many factors, though, to consider when we talk about securing the port. How do workers come in? What is the access control system?

I would think, given the personnel and equipment, that you could make any one of those ports that you mentioned as secure as the others, but you must remember that there will be some people that will say, "Well, wait a minute; we have got a business to operate here; we need to move cargo quickly or need to move passengers quickly." So there will be some resistance to security.

We can make anything secure. This building is certainly secure, but to what degree? That is the question.

Mrs. BENTLEY. Supposing we had maximum security now at the passenger terminal at Dundal Marine Terminal, maximum security, as outlined by the two of you this morning. Would there be any way with that security that a group of so-called terrorists would still be able to get on the ship?

Colonel MAZZONE. If we had maximum, the answer would be no. We have to start with a clean ship. We would have to sweep it and make sure it is OK. We would have to check all of the employees on the ship.

We already have an access control system at the Dundal Terminal. However, when a cruise ship comes in we let visitors in, so that presents a problem. Who are the visitors? Who are the people going on the ship?

No problem as long as we keep them all in the passenger terminal building, and if we don't permit them on the ship to sell merchandise, if we don't permit them on board to say goodbye or go to a party, fine.

But if we do, let some on in addition to passengers, if we had the screening point at the embarkation room and we screened all the luggage, we could make that ship fairly safe.

We would never have a guarantee because who knows that someone might take onboard something that would not be detected that they could use to take over a portion of the ship where maybe arms could be obtained or maybe different parts are carried in by four or five different people and a weapon could be assembled on the ship. So there are things that will never be prevented from happening.

But we could make that port secure. We have an advantage at that port, as you know, because it is enclosed. We do have probably one of the best, if not the best, law enforcement activity which is

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totally coordinated with the operational side, which is the key to this.

It depends on what ship, depends on whether the ship operator is involved in creating a secure environment. Assuming they are, we have, as you described, the best. We could make it secure and probably without much delay.

Mrs. BENTLEY. How about small boats pulling up alongside and people coming on from the waterside?

Colonel MAZZONE. Most of the ships we are talking about, if a small boat were to come alongside, it is too high to climb up from that. Certainly along the way someone could lower a line down and pull up that one weapon that it would take. You have to watch for that.

In the Port of Baltimore, we don't have a waterside patrol like you might see in some areas. We do have other problems, not necessarily in Baltimore, but there are some areas that these ships go to that they just don't cruise right in and dock; they go to a quarantine or holding area, and there are some people that go alongside to sell their wares or to dive for the money that is thrown over. There are a lot of things to consider.

It would be difficult in Baltimore and other ports to go alongside and get on board the ship. Getting a weapon on board is not so difficult.

Mrs. BENTLEY. Thank you, Mr. Chairman.

Mr. BIAGGI. Mr. Bateman.

Mr. BATEMAN. Thank you, Mr. Chairman.

Mr. Ward, I believe you made reference to levels of security depending upon the sensitivity or particular ports where there was more likelihood of a security problem. Have you focused upon the identity of these ports?

Mr. WARD. I think it would be easy to say that the high sensitivity areas would be certainly the southern Mediterranean ports. In light of the hijacking of the *Achille Lauro*, only one cruiseline has in fact canceled one cruise to ports in Egypt and Israel, and it is a very up market or expensive cruise line, but no other cruise line has in fact canceled at this time—including all the operators from Greece who have traditionally gone to these sensitive areas.

Mr. BATEMAN. The *Achille Lauro* is again on the high seas or is embarked on a subsequent cruise. Do you have any information as to whether or not its passenger manifest was filled or more nearly so than usual or much less so?

Mr. WARD. I certainly don't know the number of passengers she is carrying this week. I don't think the number of passengers has decreased as a result of the hijacking.

I must say that most of the passengers anyway were Europeans, and Europeans tend to be less conscious of measures of security than Americans in general, and I don't think that most Europeans would cancel their vacation because a ship was involved in a hijacking at sea, not any more than they would refuse to fly in an aircraft that was involved in a collision 4 years ago and has been repaired.

Mr. BATEMAN. With reference to some ports, those in southern Mediterranean areas especially being more risky from the point of view of security, given so much of terrorism and hijacking being

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state-sponsored, is it prudent to emphasize security measures only in the so-called high-risk ports, bearing in mind that even if you do that, then the state-sponsored terrorist is simply going to go to what has not been defined as a high-risk port and all of a sudden all ports as a practical matter have the potential of being high risk?

Mr. WARD. Yes; those cruise ships that travel to destinations always are going to be at risk. In addition, cruise ships that are on voyages to nowhere could also be at risk.

The fact of the matter is that cruise ships have so many access points, it is a very simple matter to put a self-detonating bomb into a head of lettuce and send it on board in a food crate. If the lines are going to inspect baggage and people, they are also going to have to inspect stores and food supplies.

And in light of this, it really is going to slow down the departure rates of cruise ships from ports, and with such high berthing—or parking charges, if you like—of anything up to $10,000 per hour, I think cruise lines are going to be reluctant to implement the very stringent measures that we might like to see them implement.

In the Mediterranean, it is a traditional high-risk area whether you cruise there, whether you fly, whether you take a ferry, or whether you take any other form of transport. It is just one of those high-risk areas that I think cruise lines will have to deal with.

I certainly think that they will have additional security, especially those lines that have ships doing world cruises, for instance.

Mr. BATEMAN. Is there any kind of a norm now as to what a cruise ship passenger would expect in terms of the number of hours or time that they should report in for boarding and having their luggage taken aboard in advance of the sailing time?

Mr. WARD. Yes; embarkation normally takes place between 2 and 3 hours prior to the actual sailing, and in most cases, passengers, I would say about 80 percent of them from the U.S.A. and within the U.S.A. who are taking a cruise are fly-cruise passengers. They will have to take an aircraft to get to a port to take a cruise. Because of the timing of aircraft flights, the embarkation times are set at about 2 to 3 hours prior to sailing.

Mr. BATEMAN. So there is not an unmanageable problem there in terms of the passenger who purchased a ticket being given a time constraint, particularly when he is in the area of embarkation.

Mr. WARD. That is right. Usually embarkation closes a half hour or three quarters of an hour before sailing. It depends on the line. That is the latest time you can in fact board a vessel.

But you always get problems in wintertime where people take Caribbean cruises and their airports are snowed in, which delays sailings further. I think these present high problem areas for lines considering security.

The question is to get them from the airport to the ship as quickly as possible, get the baggage on and get the ship away. Obviously ships are restricted as to their maximum speed, and because a cruise is a cruise, most ships do not intend to go flat out; not only does it burn more fuel, but it upsets passengers in terms of vibration.

Mr. BATEMAN. That is all I have, Mr. Chairman.

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Mr. BIAGGI. Mr. McKernan.

Mr. MCKERNAN. Thank you, Mr. Chairman.

I apologize for not being here for your testimony, but if you covered this, just tell me and I will read the transcript.

You were here when I asked the Meskins what their view would be about the kind of unilateral action that could be taken in this country, and I wonder what your view would be of requiring that in order to advertise or to sell tours or cruises in this country, that certain security precautions be taken and be a requirement for being able to do business here even though it is a foreign line.

Mr. WARD. I personally feel that that is discrimination of a high order, and I think it smacks of discrimination against foreign flag vessels or any competing cruise lines.

What I would like to see is implementation of more security measures industrywide, and I don't think that putting a derogatory remark on an advertisement will deter many people from taking a cruise anyway. It might make them think about security, but the question arises once again, security is security anywhere, no matter what form of transportation you take.

I personally don't feel that putting a damper on cruise advertisements is going to have that much effect in the marketplace.

Mr. MCKERNAN. Does that mean you wouldn't oppose it?

Mr. WARD. I wouldn't oppose it, but I don't think it would serve a useful purpose. I think it would be a waste of funds to implement such a proposal.

Mr. MCKERNAN. What about taking the stronger step in saying not only would you have to put a notice on the particular advertisement, but you couldn't even have the advertisement unless you met certain standards nor could you sell the ticket in this country if you didn't meet the criteria?

Mr. WARD. I suppose that would be rather like saying, no to the cigarette companies, you cannot advertise on television. The cruise lines certainly rely on media advertising to promote their product.

I still feel that the prevention of ships coming to U.S. ports would only mean that cruise lines would move their ships to the Bahamas or Bermuda and base them in a non-U.S. port. That is how they would get around that particular requirement.

I don't think it would do the industry or the consumer any real good.

Mr. MCKERNAN. Thank you, Mr. Chairman.

Mr. BIAGGI. I want to thank you, Colonel Mazzone, for your very meaningful testimony. Mr. Ward, thank you. We appreciate your suggestions. We are grateful for them.

I just hope that the industry will respond to them on a voluntary basis. Some of their representatives are sensitive to this issue and they will try to upgrade their security.

In any event, I want you to know that your testimony was quite valuable. We appreciate it.

Mr. WARD. Thank you.

Colonel MAZZONE. Thank you, Mr. Chairman.

Mr. BIAGGI. Our next panel is from the administration.

Would you come forward, gentlemen, and take the witness table?

If Mr. Ward is still here, may we have a copy of your statement?

Mr. WARD. I believe you have that.

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Mr. BIAGGI. We do have it, yes.

Mr. WARD. I had not intended it for distribution, but you are welcome to use it if you wish.

**STATEMENTS OF: DEPARTMENT OF STATE—RICHARD D. KAUZLARICH, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS, BUREAU OF INTERNATIONAL ORGANIZATION AFFAIRS, ACCOMPANIED BY TED A. BOREK, ASSISTANT LEGAL ADVISER, AND PARKER BORG, PRINCIPAL DEPUTY DIRECTOR OF THE OFFICE FOR COUNTERTERRORISM AND EMERGENCY PLANNING; DEPARTMENT OF THE TREASURY—JOHN A. BURLEY, DEPUTY ASSISTANT COMMISSIONER, ENFORCEMENT, U.S. CUSTOMS SERVICE, ACCOMPANIED BY STUART P. SEIDEL, ASSISTANT CHIEF COUNSEL FOR ENFORCEMENT AND OPERATIONS; MARK ASSUR, INTELLIGENCE OFFICER, OFFICE OF ENFORCEMENT; AND REBECCA LEDFORD, PROGRAM ANALYST, ANTI-TERRORISM COOPERATION AND ASSISTANCE BRANCH, OFFICE OF INTERNATIONAL AFFAIRS; DEPARTMENT OF TRANSPORTATION—GARRETT E. BROWN, ESQ., ACTING DEPUTY ADMINISTRATOR, MARITIME ADMINISTRATION; BILLIE H. VINCENT, DIRECTOR, OFFICE OF CIVIL AVIATION SECURITY, FEDERAL AVIATION ADMINISTRATION; AND COMMODORE PETER J. ROTS, USCG, CHIEF, OFFICE OF MARINE ENVIRONMENT AND SYSTEMS, HEADQUARTERS, U.S. COAST GUARD, ACCOMPANIED BY CAPT. FREDERICK J. GRADY III, CHIEF, PORT AND ENVIRONMENTAL SAFETY DIVISION, OFFICE OF MARINE ENVIRONMENT AND SYSTEMS**

Mr. BIAGGI. Mr. Kauzlarich, please proceed.

**STATEMENT OF RICHARD D. KAUZLARICH**

Mr. KAUZLARICH. Mr. Chairman, I am very pleased to appear before this committee. It is an opportunity that we in the State Department don't usually have.

I would like to try to cover the international aspects of the maritime security question. If I may, I would like to give you a brief oral summary of the statement which I submitted earlier.

Mr. BIAGGI. Your statement will be included in the record. In fact, each of the statements will be included in the record.

You may proceed by reading your statements or summarizing, whichever you may wish to do.

Mr. KAUZLARICH. These hearings are particularly timely, Mr. Chairman, in view of the brutal murder of an American citizen, Mr. Leon Klinghoffer, by terrorists while being held on the *Achille Lauro* earlier this month. Certainly the incident was part of an alarming pattern of increased terrorism directed against innocent victims held hostage by extremist groups.

There is a high degree of international concern over such terrorism and we have seen announcements and statements from the Secretary General of the United Nations, and resolutions from various bodies of the United Nations, condemning these terrorist actions.

Resolutions and expressions of sentiment, of course, are not in themselves answers to the problem of terrorism. They can be im-

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portant elements in pressing national governments to implement national and international legal commitments to punish such acts.

Prevention and punishment of acts of international terrorism is one of our highest priorities. We recognize, however, that an effective response requires cooperation on an international scale.

The United States has historically taken the lead in efforts to devise effective mechanisms for coping with terrorism and bringing its perpetrators to justice.

Generally these mechanisms fall in two categories: those that are directed toward the apprehension and punishment of terrorists and those directed toward measures designed to prevent terrorists from acting. I think we are all familiar with the multilateral instruments in the first category. They include international conventions dealing with civil aviation such as the Tokyo convention, the Hague convention and Montreal convention, the convention dealing with prevention and punishment of crimes against diplomats, and the 1979 convention against taking of hostages.

The effectiveness of these conventions depends on securing adherence to them by as many states as possible. Equally important, we seek the observance of their obligations by those states which have become parties to the conventions. This is something that we have continued to vigorously press on both fronts.

As previous witnesses have pointed out, there are no similar conventions directed at maritime terrorism per se. Existing international law does provide a substantial basis for responding to instances of maritime terrorism. For example, piracy as an international crime has historical precedents of ancient origin.

We believe the existing body of law provides substantial authority to take actions against vessel hijackings that occur on the high seas and to try and punish those responsible.

On prevention, there is nothing in the maritime area that compares to what exists for international civil aviation. There is no maritime counterpart to the International Civil Aviation Organization [ICAO] standards and recommended practices on airport and aircraft security. We are looking into whether such standards are feasible for ports and ships.

We know, too, as previous witnesses have noted, that the issue of maritime security raises complex problems that are different from those surrounding aviation security.

The International Maritime Organization, the IMO, is almost the maritime counterpart of ICAO, but IMO lacks the regulatory function inherent in ICAO. The IMO's objective is to facilitate cooperation among governments on matters affecting international shipping. It does have a special responsibility for safety at sea and for the protection of the maritime environment.

Presently, the IMO convention, i.e. its governing constitution does not provide a basis for the IMO to establish binding standards and recommended practices. In fact, the IMO has not hitherto considered questions of port security or access to ships while they are in port to fall within the purview of the convention.

I would note, however, that the IMO has dealt with and continues to deal with acts of piracy and armed robbery against ships at sea.

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As I have noted, security within territorial waters and while ships are in port has thus far been treated as a matter of national rather than international regulation.

For that reason, we are surveying existing regulations and practices worldwide to counter terrorism at sea. We are trying to gather information on whether other governments are considering changing their procedures in light of the *Achille Lauro* incident and their attitudes toward existing international arrangements.

Our initial responses suggest there is interest worldwide in improving security measures for passenger vessels, and that most countries believe their domestic authority is sufficient to deal with terrorism in their own ports and in their own territorial waters.

I should note, Mr. Chairman, that our ability to be leaders on this issue, as other witnesses have pointed out, depends on our ability to establish high standards of port security at our own ports, much as we have done in the area of civil aviation and airport security.

The Department is exploring the question of what international initiatives may be appropriate, either in a multilateral or bilateral context, and will be using the opportunities of the IMO assembly, which will take place November 11 through 22, to discuss international measures with both representatives of the IMO Secretariat and member governments who will be in London at that time.

We also want to discuss possible initiatives with the maritime industry, port administrators and other U.S. Government agencies. In other words, Mr. Chairman, we have considerable work before us before we can determine what more we can do to blunt the distressing new spread of international terrorism.

Thank you, sir, and my colleagues and I are ready to answer any questions you may have.

[The statement of Mr. Kauzlarich follows:]

STATEMENT BY RICHARD D. KAUZLARICH, DEPUTY ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS

Mr. Chairman, Members of the Committee, it is a pleasure to appear before you today on this important item. I am accompanied by Michael G. Kozak Deputy Legal Adviser, and Parker Borg, Principal Deputy Director of the Office for Counter Terrorism and Emergency Planning. We welcome the opportunity to be here today and comment on the status of international maritime security. These hearings are particularly timely in view of the brutal murder of an American citizen, Mr. Leon Klinghoffer, by terrorists, while being held hostage aboard the Italian cruise ship *Achille Lauro* earlier this month.

The *Achille Lauro* incident was part of an alarming pattern of increasing terrorism directed against innocent victims held hostage by extremist groups. There is a high degree of international concern over such terrorism, and hostage-taking in particular. At the time of the *Achille Lauro* incident the United Nations Security Council unanimously condemned, ". . . this unjustifiable and criminal hijacking as well as other acts of terrorism, including hostage-taking." The Secretary General of the United Nations, Perez de Cuellar, has spoken out repeatedly against hijacking and hostage-taking and publicly expressed his revulsion on learning of the murder of Mr. Klinghoffer.

There is a growing chorus of international condemnation of these terrorist actions:

The Seventh United Nations Congress on the Prevention of Crime and the Treatment of Offenders, meeting in Milan, Italy, August 26 to September 6, adopted a strongly worded resolution calling on all States to strengthen anti-terrorist cooperation. This resolution was co-sponsored by the United States and obtained broad support.

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The World Tourism Organization, meeting in Sofia, Bulgaria, September 17-26, expressed its deep concern over the number of violent attacks perpetrated this year upon innocent travellers and the travel industry, and urged member States to take additional steps to ensure the safety of international travel and the security of all kinds of travellers. The United States played a key role in achieving consensus adoption of this resolution.

The 40th session of the United Nations General Assembly, now in session, is considering a detailed and comprehensive resolution condemning international terrorism. We are hopeful the General Assembly will pass a solid text underscoring the international community's condemnation of terrorism and calling for specific action.

Resolutions and expressions of sentiment, of course, are not in themselves an answer to the problem of terrorism. They are nonetheless significant as indications of the changing international climate and the growing alarm in the international community over terrorism and hostage-taking. They can be important elements in pressing national governments to implement national and international legal commitments to punish such criminal acts.

The prevention and punishment of acts on international terrorism is one of our highest priorities. We have long recognized, however, that an effective response to terrorism requires, in the final analysis, cooperation on an international scale. In this respect, the United States has historically taken the lead in calling upon the world community to devise effective mechanisms for coping with terrorism and bringing its perpetrators to justice.

Speaking generally, these mechanisms fall into two categories: those directed toward the apprehension and punishment of terrorists, and those directed toward measures designed to prevent terrorists from acting. Into the first category would fall multilateral instruments such as:

The 1963 Tokyo Convention on Offenses and Certain other Acts Committed on Board Aircraft;

The 1970 Hague Convention for the Suppression of Unlawful Seizure of Aircraft (Hijacking);

The 1971 Montreal Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation;

The 1973 Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons Including Diplomatic Agents, and;

The 1979 Convention Against the Taking of Hostages.

At the heart of these conventions is the requirement that a State party either submit for prosecution under its own legal system, or extradite, individuals alleged to have committed offenses falling within their scope. The applicability of one or more of these conventions depends on the facts surrounding a particular act or acts of terrorism. Their effectiveness in turn depends on securing adherence to them by as many States as possible, and observance of their obligations by those States that have become party. The United States has continued to act vigorously on both fronts.

While there is no such convention directed at maritime terrorism per se, existing international law provides a substantial basis for responding to instances of maritime terrorism. Piracy as an international crime, for example, has historical precedents of ancient origin. The importance of customary international law on the subject was reinforced by the inclusion of specific language concerning piracy in the 1958 Convention on the High Seas and recently reaffirmed in the 1982 Law of the Sea Convention. We believe that this existing body of law provides substantial authority to take action against vessel hijackings that occur on the high seas, and to try and punish those responsible. And, as noted above, maritime incidents that may not clearly fall within the internationally accepted definition of "piracy" may nevertheless fall within some other category of proscribed acts, such as hostage-taking. For example, the *Achille Lauro* incident was one to which the 1979 Hostage Convention is directly relevant.

Let me now turn to the prevention side. There is nothing in the maritime area that compares to what exists for international civil aviation. This in part reflects the fact that terrorist acts at sea, such as the *Achille Lauro* incident, are relatively infrequent and world attention has been focused almost exclusively on aviation security. There is no maritime counterpart to the ICAO Standards and Recommended Practices on airport and aircraft security. We are exploring whether such standards and recommended practices are feasible for ports and ships but it is important to remember that maritime security raises complex problems that are significantly different from those surrounding aviation security. Indeed, it is difficult to suggest standards until we have determined what currently is being done, and what must be done both domestically and internationally, to secure both ports and ships.

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The International Maritime Organization (IMO) is almost the maritime counterpart to ICAO, but the IMO lacks the regulatory function inherent to ICAO. The IMO was established as a Specialized Agency of the United Nations in 1958. The Organization, which is located in London, has nearly universal membership, with 127 full members and one associate member. Its main objective is to facilitate cooperation among governments on technical matters affecting international shipping, in order to achieve the highest practicable standards of maritime safety and efficiency of navigation. The Organization has a special responsibility for safety at sea, and for the protection of the marine environment through prevention of pollution of the sea caused by ships and other craft. The IMO also deals with legal matters connected with international shipping, with the facilitation of international maritime traffic, and is responsible for providing technical assistance in maritime matters to developing countries. The IMO Assembly, which consists of the full membership, meets every two years to approve broad policy for the Organization and decide on the work program and budget. A thirty-two member Council, of which the United States is a member, acts for the Organization between Assembly sessions.

Presently, the IMO Convention does not provide a basis for the IMO to establish binding Standards and Recommended Practices. Article 1(a) of the IMO Convention states that the IMO should "provide machinery for co-operation among Governments in the field of governmental regulation and practices relating to technical matters of all kinds affecting shipping engaged in international trade; to encourage the general adoption of the highest practicable standards in matters concerning maritime safety, efficiency of navigation and the prevention of control of marine pollution from ships; and to deal with legal matters related to the purposes set out in this Article." Article 2 states that "the functions of the Organization shall be consultative and advisory." The IMC has not hitherto considered questions of port security or access to ships while at port to fall within the purview of the Convention. Yet, the IMO has dealt with, and continues to deal with, acts of piracy and armed robbery against ships at sea. In 1983 the IMO Assembly adopted resolution A.545(13), entitled Measures to Prevent Acts of Piracy and Armed Robbery Against Ships. In June 1985 the Council adopted a decision calling on all appropriate parties to take steps to improve rescue-at-sea procedures. The IMC is working with governments, other concerned international organizations, and shipping interests at the present time to implement these actions by the Assembly and Council and to strengthen anti-piracy and rescue-at-sea programs.

The question of security within territorial waters and while at port has thus far been treated as a matter of national, not international, regulation. We are now surveying existing regulations and practices worldwide to counter terrorism at sea. We are also gathering information on whether other governments are considering changing their procedures in light of the *Achille Lauro* incident and their attitudes toward existing international arrangements. Responses to our preliminary inquiry suggests that there is interest worldwide in improving security measures for passanger vesseles, and that most countries consider their domestic authority sufficient to deal with terrorism in their own ports and territorial waters. We have no indication at this time that other governments advocate the creation of multilateral mechanisms in addition to those already in force. I should note, however, that for the United States to exercise effective leadership in maritime security, we have to make certain that our own port security sets international standards, as does our airport security.

Nevertheless, the Department is exploring the question of what international initiatives may be appropriate, either in a multilateral or bilateral context. We will use the opportunity of the IMO Assembly, which meets November 11-22, to discuss international measures with individuals from the IMO secretariat and member States. We also want to discuss possible initiatives with the maritime industry, port operators and other U.S. Government agencies. In other words, we have considerable work before us to decide what more we can do to blunt the distressing new spread of international terrorism.

Thank you, Mr. Chairman. My colleagues and I will be pleased to respond to any questions you or other members of the Committee may have.

Mr. BIAGGI. I am prepared to go through the panel generally, but there is one question I must get to.

Are you satisfied that the existing conventions with relation to piracy cover situations like the hijacking of the *Achille Lauro*?

Mr. KAUZLARICH. Mr. Chairman, there are two dimensions to that. One, in the case of piracy on the high seas, I think we are

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satisfied the existing international framework provides the basis for dealing with those acts.

As to the seizure of ships in ports or in territorial waters, as I have indicated, that has been an issue for national law and hitherto has not been the object of international attention.

Mr. BIAGGI. If I recollect correctly, the language used is: Piracy and illegal acts devoted to private interests, private as contrasted to the situation we have on the *Achille Lauro*.

The question came to mind. You are satisfied, I guess, after serious deliberation.

Mr. KAUZLARICH. The hostage convention does provide a broader coverage that would cover those situations.

Mr BIAGGI. OK. That would, in effect, supplement the other conventions.

Mr. KAUZLARICH. That is correct. It is a broader pattern of an international program.

Mr. BIAGGI. Thank you.

Mr. Hurley.

## STATEMENT OF JOHN A. HURLEY

Mr. HURLEY. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, we in the Customs Service appreciate the opportunity to appear before you today to discuss the role played by our Service in securing against the increasing threat of terrorism, specifically as it relates to the maritime industry.

Customs' jurisdiction does not extend to enforcement against those perpetrating terrorist acts except where those individuals violate laws relating to passport fraud, arms and munitions imports and exports, illegal currency, transactions and the navigation laws. We do, however, provide substantial support to other agencies such as the FBI, Secret Service, ATF, Immigration and Naturalization Service, and the U.S. Coast Guard, who are tasked with direct investigative and protective antiterrorism duties.

As an example, Customs Service officers are at this time assisting the Secret Service at the U.N. General Assembly.

As a principal Federal border protection agency, we are in a position to deter and stop attempts of infiltration by subversive groups and terrorists. I will speak more to this aspect later on.

In the area of protecting our shipping assets and those who either make a living, or enjoy leisure time on the water, let me say that the Customs Service does provide some deterrent to terrorism. The U.S. Supreme Court has ruled that Customs officers may board any vessel in waters having outlet to the open sea. We are thus permitted to check all documentation for the ship and those aboard, and go below decks to search the entire vessel and its cargo.

As the chairman well knows, this has often been used in the case of antinarcotics activities. All this may be done without demonstrating reasonable suspicion. Outbound searches are conducted for goods being taken from the country in violation of embargoes and munitions and technology export laws, as well as for violations of currency reporting laws.

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Because of our location at all Customs ports of entry, and the good relations we enjoy with those involved in maritime industries, we are in a prime position to receive information on suspicious occurrences and individuals. Our vast informant network has assisted in preventing many unwanted events from occurring, as leads have been passed on to the agencies responsible for following them up. We believe that the mere fact that there is a Customs presence at seaports insures greater port security and that in itself contributes to protection from terrorists.

As major participants in the antiterrorism assistance program, managed and funded by the Office for Counterterrorism and Emergency Planning in the Department of State, we in the Customs Service have been providing foreign government officials at both management and working levels with insights and training in preventive measures and detection profiles. Part of this program also entails experienced Customs Service officers traveling to foreign countries to provide relevant technical training.

We have also indicated to the Department of State that we are willing with host country and Department of State approval to go to foreign countries and provide vulnerability assessments of environments such as seaports, Customs stations, and the like. In this case, we look at the physical security measures noted earlier by such as Colonel Mazzone.

Additionally, we have committed ourselves on a reimbursable basis with the Department of State to train explosive detector dogs and doghandlers for countries participating in those programs.

In closing, let me discuss the most important tool we have to augment and expand the natural and learned capabilities of our personnel in detecting terrorists. The Treasury Enforcement Communications System is a real time computerized communication and records retrieval system which links together all Customs offices, and which has a link to the FBI's National Crime Information Center.

We have made this system available to other enforcement agencies such as the Immigration and Naturalization Service.

There are a number of ways to enter the system, a simple query of a name, a passport number or other identifiers, the Customs officer at a port of entry is able to determine if the person standing before him or her has a previous Customs record, is under suspicion, or is wanted by other authorities.

This system, along with the officer's professional intuition and supplied intelligence on trends and profiles, helps our people determine whom to pass through, detain and search, or arrest.

Within the TECS system is a large terrorist data base containing the names of known, suspected, and possible associates of alleged terrorists. We actively seek intelligence on those who pose a threat, or the methods they may use, in order to alert our people so that they can protect both themselves and the country.

The system has proven that it works and we believe that the United States has been spared from much of the destruction felt elsewhere because of it.

I and my Customs colleagues are, of course, available for any questions or followup, Mr. Chairman. Thank you for the opportunity to testify.

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Mr. BIAGGI. We will have a 5-minute recess in order to go to the floor and vote.

[Brief recess.]

Mr. BIAGGI. The committee is called to order.

Mr. Secretary, would you like to make some comment?

Mr. KAUZLARICH. If it is all right with you, I would like to wait until the end of the statements.

Mr. BIAGGI. Mr. Brown? He is not here?

Mr. Vincent.

## STATEMENT OF BILLIE H. VINCENT

Mr. VINCENT. Thank you, Mr. Chairman. I have a brief statement.

Mr. Chairman and members of the subcommittee, I welcome the opportunity to appear before the subcommittee today to discuss the civil aviation security programs of the Federal Aviation Administration.

Through the implementation of these programs, and with the cooperation of the entire aviation community, we have developed an air transprotation security system in the United States which is sound and routinely provides safe and secure transportation to the traveling public. Let me elaborate on that point for a moment.

You will recall that in the late 1960's and early 1970's, the United States experienced a surge of aircraft hijackings. In fact, hijackings were a worldwide problem. To deal with the problem at that time, the United States instituted as an interim measure a massive "sky marshal" program which was designed to deter would-be hijackers. The sky marshals made available to the FAA were from other Federal agencies, both civil and military. That program subsequently evolved into an air marshal program, under the FAA's auspices, which is comprised solely of FAA employees who are granted the power of arrest and the authority to carry weapons.

However, an air marshal program was not, by itself, the solution to deterring criminal acts against civil aviation. There was a need for a comprehensive approach, involving all segments of the aviation industry, for the protection of passengers, crews, and aircraft from acts of violence.

Our current civil aviation security program which has been in place since about the mid-1970's with continuing refinements, has been an unparalleled success. In fact, many elements of our program serve as models for the world community, and we have worked actively with the international community to provide our technical expertise and training to assist them in achieving improvements in aviation security.

The cornerstone of our civil aviation security program is the screening system we have had in place for domestic carriers since 1973. Pursuant to this regulatory requirement, all passengers and carry-on baggage are screened by the airlines before boarding. This has been an extremely effective element of our total program. Over the past 12 years, over 6 billion persons and almost 8 billion pieces of carry-on baggage have been screened.

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This has resulted in the detection of over 33,000 firearms, and almost 14,000 related arrests have been made. In the process, at least 113 hijackings or related crimes have been prevented. In 1975, we extended FAA screening requirements, which heretofore applied to domestic carriers, to foreign carriers serving the United States.

As good as this security program has been, however, the hijacking of TWA 847 in Athens on June 14th of this year and the recent Canadian incidents highlighted for us the need to refine it even more. As a consequence, we have undertaken a variety of steps, including: expanded use of the Federal air marshals; enhanced systems of assessment and monitoring of all foreign airports served by U.S. carriers; enhanced training of U.S. airline crews, coupled with the designation of airline security coordinators for individual flights; and acceleration and expansion of the research and development of explosives detection and hijack prevention systems.

The individuals who actually perform the screening are employees of the airlines or work for the airlines on a contract basis. They use equipment which meets FAA specifications and receive training on the use of that equipment in accordance with FAA requirements. The airports are required to have available law enforcement officers to provide law enforcement support as necessary.

Many of these law enforcement officers have undergone special training through the Department of Transportation's Transportation Safety Institute. There are a number of other specific requirements which we place on the airlines to provide total security.

For example, we require that they take action to secure their aircraft by locking the doors and lifting the external stairs.

Airline employees are also responsible for challenging unidentified persons found on the ramps near aircraft. There are a variety of other required actions on which I can elaborate if you wish.

The airports are also required to develop and submit comprehensive security programs to the FAA. Among the requirements placed on airport operators are to assure adequate law enforcement support; to control access to airport operations areas as well as the movement of persons and vehicles within those areas; and to assure that training of law enforcement personnel is conducted in accordance with FAA requirements.

Again, there are a variety of other matters associated with the responsibilities of airport operators on which I can elaborate further, at your request.

Within the FAA, the Office of Civil Aviation Security is responsible for overseeing the security programs of the air carriers and airport operators. This is done through our field office structure which works with airport operators and airlines to assure on a continuing basis that adequate procedures are in effect.

I would add that this is a very close working relationship and that, with few exceptions, we experience a high degree of cooperation from everyone involved.

The FAA works closely with other agencies of Government, both local and Federal, to identify threats against civil aviation and to take appropriate action to prevent criminal acts against aviation. When the preventive system fails or is circumvented and a hijacking occurs, the FAA becomes the "crisis" manager.

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Under section 316 of the Federal Aviation Act of 1958, as amended, the Administrator of the FAA is the individual charged with responsibility for overseeing law enforcement activities during a hijacking. To carry out this responsibility, we work closely with the FBI and other agencies who provide the necessary law enforcement support under our direction.

In international hijackings, we work closely with officials of the Department of State as well. There are a variety of specific procedures which are activated during a hijacking, including a sophisticated communications net, to assure that all interested parties work together in a coordinated and efficient manner.

I have focused essentially on domestic security issues. Let me make it clear that we also are intensely interested in the security of passengers traveling on U.S. carriers anywhere in the world and of passengers traveling between a foreign country and the United States. Naturally, our ability to oversee a total security program, as we do domestically, cannot be duplicated in the international environment, nor would this extent of U.S. involvement be accepted by many foreign nations.

We can require that air carriers serving the United States—whether foreign or domestic—meet basic FAA security requirements. We have no authority over the foreign airports themselves, but we do assess the effectiveness of security measures maintained at foreign airports and work closely with foreign authorities to assure that adequate security is provided.

As you are aware, the Congress recently passed and the President signed Public Law 99-83, the International Security and Development Cooperation Act of 1985, on August 8, which provided several added civil aviation security measures. The FAA and DOT are currently implementing this act.

In summary, Mr. Chairman. I would reiterate that the approach we have used successfully in aviation security is an integrated one that calls upon all facets of civil aviation to assume the responsibility for implementing appropriate security measures. The high level of effectiveness we have attained in the U.S. air transportation security system is largely attributable to the cooperative spirit and commitment that exists within the aviation community.

I would hasten to add two things. One, all of this, while it is a very general statement, describes a rather complex, massive security system domestically as well as worldwide, and also that by the nature of the business that we are in, there are certain techniques and methodologies the specifics of them that I would have to avoid getting into today in open session.

Thank you, Mr. Chairman.

Mr. BIAGGI. Thank you, Mr. Vincent.

Mr. Brown.

STATEMENT OF GARRETT E. BROWN

Mr. BROWN. Mr. Chairman——

Mr. BIAGGI. Mr. Brown, I understand you are wearing two hats today.

Mr. BROWN [continuing]. Yes, I am.

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As you have requested, the Department of Transportation has assembled representatives from three components of the Department to report to you on activities which are germane to the issue of maritime security. Billie Vincent from the Federal Aviation Administration's Office of Civil Aviation Security will present an overview of how we have responded to the threat of hijackings and air piracy.

Commodore Rots, the Director of the Coast Guard's Office of Marine Environment and Systems, will outline security requirements and activities at U.S. ports.

Finally, I will describe actions which have already been taken by the Maritime Administration to prevent piracy of cargo shipping vessels.

Obviously, the *Achille Lauro* incident is fresh in our minds. While the experience is unusual in the maritime as opposed to the aviation area, DOT is in the process of examining our options and assessing the risks. DOT witnesses who will speak to you today will describe their own activities, and will offer some suggestions on how these experiences might be applied to strengthen maritime security measures.

It may well be that the *Achille Lauro* is a one-time incident; we hope that the growing pressure to stop terrorism and actions by individual carriers will prevent a recurrence. But the *Achille Lauro* could also be the beginning of a pattern similar to that which has characterized air hijackings.

DOT is, therefore, moving in an organized fashion together with the State Department, to determine how best to deal with the problem.

First, we are collecting information on threat level and security measures in various foreign and U.S. ports.

Second, we are going to try to identify exactly where additional security measures could be created, if we should determine that they are warranted. This is no easy task. As we have heard today, ships have different operational requirements than aircraft.

Third, we will be examining the U.S. Government's current statutory and regulatory powers to require increased security at United States ports for both U.S. and foreign flag vessels, and to require U.S. vessels to have increased security at foreign ports.

Once again, while the terrorist threat is not new, particularly in aviation, it is relatively new in terms of passenger vessels. We will be systematically exploring our options over the coming weeks. We will be happy to keep the committee informed of our progress.

One final word, Mr. Chairman. As you know, we do not want to describe in open session either security measures or security deficiencies. If you wish to obtain such information, we would appreciate it if we could proceed at the appropriate time in a closed session.

I appreciate the committee's concern on that point. If you like, I will discuss the Maritime Administration's perspective and Commodore Rots will discuss the Coast Guard perspective.

Mr. Chairman, in the spring of 1983, because of concern about maritime piracy and terrorism, the Maritime Administration invited agencies that had direct or indirect interests in the problem to meet for a preliminary discussion of possible courses of action. Par-

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ticipants in the meeting included the U.S. Coast Guard, the Federal Bureau of Investigation, the Department of State, representatives of the Office of the Chief of Naval Operations, and the Federal Emergency Management Agency. Additional meetings were held in 1983, 1984, and this year.

The working group concluded that ships can take useful measures to strengthen security against piracy. Several lists of such measures have been drawn up. One of the first was published by the Swedish Shipowners Association. The Military Sealift Command has issued an excellent set of instructions to ships under MSC control. The Maritime Administration, on the recommendation of the working group, published a brochure which lists measures that a prudent master should take when operating in areas where the threat of piracy or terrorism exists. Copies have been provided to the committee.

Piracy and terrorism must be dealt with internationally. The Department of State and the Coast Guard are representing U.S. interests in international forums concerning this subject.

Mr. Chairman, piracy of course differs from terrorism. The motivation for piracy is economic gain. Modern pirates—like old-time pirates—are maritime thieves. There are recognized threat areas, mainly the Singapore Strait and several locations on the west coast of Africa. Only ships trading in those areas—and a few others—are exposed to pirate attacks.

Terrorists, or those acting for political rather than economic gain, are not as predictable. Every ship must be considered a potential target for terrorist attack. Therefore, to be effective, overall security for ship and port operations has to be strengthened. We believe that security on U.S.-flag cargo ships with American citizen crews is generally good, but most of the ships calling at U.S. ports are not U.S.-flag and the possibility cannot be lightly dismissed that a cargo ship might be taken hostage.

On the other hand, cargo ships—even supertankers—are not very glamorous targets and publicity seeking terrorists are more likely to focus on a passenger ship, as events have shown. The main concern with respect to security measures and maritime terrorism is, therefore, safety on passenger ships.

At the present time, there are only two large U.S.-flag cruise ships and they are operating in the Hawaiian service. There are also smaller coastwise trading U.S.-flag passenger vessels. However, American passengers are most likely to be exposed to possible terrorists action on the larger number of foreign-flag cruise ships around the world. The general security problem has two parts.

The first part is security for U.S. citizens who are passengers on foreign-flag ships operating out of non-U.S. ports. The *Achille Lauro* is now the classic example. Security on those ships rests with the flag state and the ship operator. International cooperation to strengthen security measures on ships can be pursued through diplomatic channels and in international organizations, such as the International Maritime Organization.

Security measures could include physical security—screening passengers and baggage, controlling access to ships, and so forth—and effective international intelligence collection and interchange among the nations concerned.

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The second part of the problem is security on ships sailing from U.S. ports. I know that is a matter of concern to this committee. Nearly all cruise ships operating from U.S. ports are foreign-flag ships, and security on board is, therefore, the responsibility of the flag state. Many of the flag states are very serious about shipboard security and would cooperate wholeheartedly with U.S. efforts directed to strengthening overall security arrangements.

Again, probable countermeasures include the same ones I have already mentioned: screening passengers and baggage, controlling visitors' access to ships, screening supplies and stores put abroad.

Mr. Chairman, I merely sketch the problems as we see them.

The Maritime Administration is charged with promoting the U.S. merchant marine within the scope of its statutory authority. It is not, however, a law enforcement agency. We have made available and will continue to make available to those Federal agencies with more direct responsibility the agency's expertise regarding the merchant marine.

In particular, the Maritime Administration will support the Department of State, Coast Guard, and law enforcement agencies in their continuing consideration of developing and coordinating security measures for cruise ships and cargo vessels.

Mr. Chairman, that concludes my prepared statement on behalf of the Department and Maritime Administration. I will now turn to Commodore Rots of the Coast Guard.

Mr. BIAGGI. Commodore.

## STATEMENT OF COMMODORE PETER J. ROTS

Commodore ROTS. Mr. Chairman, members of the subcommittee, I am Commodore Peter Rots, Chief of the Office of Marine Environment and Systems, U.S. Coast Guard Headquarters. I am pleased to be here today to discuss the sufficiency of security measures currently employed by various segments of the shipping industry to protect against terrorists attacks.

The Coast Guard has been concerned with and has addressed the threat of terrorism in the marine environment for a number of years. While not designated as a lead agency, the Coast Guard has executed memorandums of understanding with those agencies which describe our supporting role.

With a Coast Guard presence in most U.S. ports and our vessels underway on many operational missions it is likely that the Coast Guard will be the first Federal agency at the scene of a terrorist incident. Our initial response in this scenario would be to stabilize and contain the situation until the designated lead agency responds. To this end, each of our 48 captains of the port have been tasked with developing local counterterrorism contingency plans. These plans require coordinated planning between the Coast Guard and the Federal, State, and local agencies as well as those in the maritime community that may become involved in a terrorist incident.

For the past 4 years, we have been sending a limited number of Coast Guard personnel to counterterrorism school for formal training.

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During 1983 the Coast Guard participated in a 2-day multiple agency counterterrorism command post exercise in Washington, DC.

In as late as April of this year, the Captain of the Port of New York, the FBI, and the New York City Police Department conducted a joint terrorism exercise in the Port of New York. This exercise was conducted through the cooperation of United States Lines, the vessel *American Leader*, and the New York City Ports and Terminals Authority.

On September 17 of this year, I personally addressed approximately 70 port directors at the American Association of Port Authorities Annual Conference. I advised the attendees of the terrorist threat and urged them to review their physical security and security procedures at their waterfront terminals. I also informed them that each of the Coast Guard captains of the port is available to assist them in reviewing and improving terminal and vessel security.

The primary responsibility for protection and security of vessels and waterfront terminals rests with the masters, owners, operators, and agents.

Currently, security procedures at waterfront terminals and aboard ship vary among the many companies from minimal to moderate. The majority of tanker terminals have the perimeter fenced and the gates manned continuously by a guard. Many dry cargo terminals are similarly protected.

Terminals serving passenger vessels also provide security of varying degrees. However, providing security at these terminals is much more difficult due to the large numbers of people that board the vessels as passengers and those that require access to provide services to the ships. A typical scenario for a passenger ship in Miami, for example, is for that ship to arrive and disembark an average of 1,000 passengers. Embark 1,000 new passengers, load their baggage, take on tons of food and other provisions. Load cargo and mail, take on fuel from the terminal or from fuel barges that come alongside the ship, have shoreside personnel go aboard to make repairs to various fittings, fixtures, and systems such as radios, navigation equipment, machinery, air-conditioning, dishwashers, and carpet cleaning. All of this is accomplished in 8 hours during a Mardi Gras atmosphere with visitors attending Bon Voyage parties and numerous florists delivering flowers.

Typical security consists of unarmed guards hired from a private security company stationed at the gangway verifying that persons attempting to board the vessel are authorized to go aboard. Unarmed crewmembers patrol the decks of the ship to detect fires and other potential emergency situations and provide assistance to passengers.

Stores and baggage loaded aboard the ship are not routinely screened and unlike aircraft, the baggage is turned over to the custody of the owners at their staterooms.

Some companies have somewhat tighter security. For example, I understand that Cunard Lines does not permit visitors aboard their vessels.

There are approximately 1,500 cruise ship visits in Miami and Fort Lauderdale each year. All of these ships are owned and oper-

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ated by foreign-owned companies. In San Francisco, there are approximately 70 visits per year and again, with the exception of two ships, all are under foreign flag.

As a result of the *Achille Lauro* incident, a number of these companies are reviewing their security procedures. Last week during a cruise ship visit to the Port of San Francisco, the company required passengers to board the vessel by one gangway and visitors board by a separate gangway. In addition, the company hired guards to screen everyone boarding the vessel with metal detectors. However, the baggage was not screened.

Increased security measures that could be implemented may approach those that are in place at commercial airports: all baggage, stores, and personnel going aboard the vessel could be screened. Servicing personnel and vendors could be required to be escorted. These procedures would, of course, be very labor intensive and costly.

Another element to consider is that if increased security procedures are implemented in all U.S. ports to protect vessels from the terrorist threat they will be rendered essentially ineffective if similar security procedures are not in place at the many foreign ports these vessels visit.

The International Conference on Safety of Life at Sea, 1974, and Federal Communications Commission regulations require that passenger ships irrespective of size and cargo ships of 1,600 gross tons and upward be fitted with a radiotelegraph station. The Bridge-to-Bridge Radio Telephone Act requires that every passenger vessel and every power-driven vessel of 300 gross tons and upward shall have a bridge-to-bridge radiotelephone.

The Coast Guard insures that all U.S. vessels and foreign vessels visiting U.S. ports are equipped with the required radio equipment. Cargo vessels are required to carry one radio operator who is normally on duty 8 hours a day. Passenger vessels are required to carry three radio operators who man the radio room 24 hours a day while the ship is underway. Ships are also required to have an emergency source of power to operate the radios should the primary source fail. While these are the minimum requirements most, if not all, ships have radio equipment far in excess of that required by the convention and regulations.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or the members of the committee may have.

Thank you.

Mr. BIAGGI. Thank you, Commodore.

One question seems to emerge from all the testimony. How do we get all of the other nations to cooperate? Have any efforts been made and, if so, to what extent, and to what degree of success?

Mr. Secretary.

Mr. KAUZLARICH. Mr. Chairman, as I noted in my testimony, we intend to take advantage of the International Maritime Organization Assembly that is meeting starting November 11 to begin that process. But as you might expect, this incident, given its rather recent character, we have not had any organized contacts with other governments on this.

Mr. BIAGGI. That would be on the agenda?

Mr. KAUZLARICH. It will not be on the agenda, but it is something that we will raise both in the meeting itself and, as we say in U.N. parlance, in the corridors with other representatives of governments.

Mr. BIAGGI. My experience with the International Maritime Organization is that they are very ponderous in their process. It takes years for them to arrive at a conclusion. Would you give it a similar assessment?

Mr. KAUZLARICH. They take a long time, Mr. Chairman, but I don't think that can be an excuse for us not starting to see what the possibilities are.

Mr. BIAGGI. I agree. I was just curious because historically they are very slow.

Mr. KAUZLARICH. I think that is particularly true if you are talking about legal instruments coming out of the IMO.

Mr. BIAGGI. Do you think this might be a little different?

Mr. KAUZLARICH. I think it is hard to say. At this stage I would not say it would be any different. I think it will take a lot of effort.

Mr. BIAGGI. Does anyone else care to comment on that process? What is the lead agency for port and ship security?

Commodore ROTS. The lead agency for port and ship security—the Coast Guard.

Mr. BIAGGI. I thought you said something in your testimony that you were not the lead——

Commodore ROTS. We are not the lead agency against the domestic or international terrorist.

Mr. BIAGGI. Which agency is?

Commodore ROTS. For domestic, the FBI and for international, the Department of State.

Mr. BIAGGI. Have you made a distinction within the 3-mile or outside the 3-mile limit? Is there a distinction?

Commodore ROTS. Yes, Mr. Chairman, there is. It had been the territorial waters. It is an FBI incident. Outside the territorial waters it is an international incident.

Mr. BIAGGI. Mr. Vincent, I am delighted with the progress you have made in your program. One could hardly argue with the success of it. These are very imposing figures. Do you find that the security measures are imposed internationally?

Mr. VINCENT. Sorry, Mr. Chairman.

Mr. BIAGGI. Do you find that most of the security measures that we have here in America are imposed internationally?

Mr. VINCENT. Yes, Mr. Chairman, the international structure as mentioned by the Department of State has a long history under the Tokyo, Hague, and Montreal conventions. They have evolved to a very effective system within the ICAO community of 156 nations.

Mr. BIAGGI. I was curious. How long did it take from commencement of discussions to the enactment of it?

Mr. VINCENT. Actually, Mr. Chairman, you mentioned the IMO being a ponderous organization. Some would say ICAO is. The recent reaction to the TWA 847 hijacking and suspected sabotage in Canada resulted in an appeal by the Secretary of Transportation and the Ministry of Transportation in Canada to which ICAO reacted very quickly. ICAO convened a panel of experts who worked for 2 weeks, did some rather remarkable work in that time and has

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already sent those recommendations out to the 156 nation members for ratification.

But to answer the question of how long it took, you go back to the conventions that again were mentioned, and they stretch back, I believe, into the 1950's or 1960's. Montreal and Hague are the most recent, late 1960's or early 1970's. The structure built by the United States began in the late 1960's and early 1970's and, as I noted, the preboard screening started in 1973. I think you can date our system from about that point in time.

Likewise, the international system was moving in sequence with the U.S. system developments.

Mr. BIAGGI. Insofar as international cooperation is concerned, would you suggest that we proceed with domestic controls?

Mr. VINCENT. If I understand the question, Mr. Chairman, you are asking if I suggest that you proceed with the domestic controls for shipping?

Mr. BIAGGI. Which we hope would be more quickly implemented.

Mr. VINCENT. Well, by the very nature of the security processes, as it evolved in aviation, that is the way we had to go because, again, we did not have authority outside of the United States.

Mr. BIAGGI. My question was really for the record. I expected the response.

In your statement you mention that 1975 FAA screening requirements were extended to foreign carriers serving the United States. Was legislation or an international agreement necessary to effectuate this extension?

Mr. VINCENT. I would have to defer to my counsel as far as legislation. The Anti-Piracy Act was passed in 1974. I do not believe that that had—it could have been the basis for our regulatory requirement which was then issued in 1975, but I am unsure of that. I am advised there was not a need for the legislation at that time. We already had all the authority we needed apparently under the FAA act.

We issued FAR, Federal Aviation Regulation, part 129 which does not have the scope and specificity of the domestic requirements under FAR 108. It does, however, require any foreign carrier flying into the United States to have a security program and to submit that to the FAA for review.

Mr. BIAGGI. Are there standards established for those foreign carriers by FAA?

Mr. VINCENT. The standards, Mr. Chairman, are to some degree rather loosely defined for the foreign carriers. We in practice, however, actually apply in essence the same standards we require of U.S. carriers; that is, operating from the last point of departure prior to coming into the United States in accordance with part 129.

I might add, however, that the international aviation security system pretty well exists in every major airport in the world.

Mr. BIAGGI. Assume for a moment that one of those foreign carriers did not comply. What would be the process from your perspective?

Mr. VINCENT. If I heard you correctly, if they do not comply?

Mr. BIAGGI. Yes.

Mr. VINCENT. Then we would proceed with action all the way up to revoking their operating certificate through the Secretary of

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Transportation and the Department of State. We have never gotten to that point. There was a case 3 years ago where we found a foreign carrier who did not meet what we considered effective security measures out of another country. We fined that carrier $50,000 of which $25,000 was assessed immediately, $25,000 was put in escrow and certain other stipulations were required on the part of the carrier. A year later after they had met all of those requirements, we released the $25,000 that was in escrow.

So we do have measures for getting at poor application.

Mr. BIAGGI. Were they permitted to continue to use our airports in the interim?

Mr. VINCENT. Yes, sir, they were, but only on the basis of their demonstrated intent to correct the problem.

Mr. BIAGGI. Mr. Carney.

Mr. CARNEY. Thank you, Mr. Chairman.

Mr. Vincent, in your testimony on page 5 you said that:

> We are intensely interested in security of passengers traveling on U.S. carriers anywhere in the world, passengers traveling between foreign countries and the United States. Naturally our ability to oversee a total security program as we do domestically cannot be duplicated in an international environment.

Could I assume what happened to the *Achille Lauro* was international environment?

Mr. VINCENT. Yes, sir, Mr. Carney, you may assume that correctly.

Mr. CARNEY. And that we would have very little impact, if any, on a similar situation?

Mr. VINCENT. No, sir, that would not be a correct assumption.

Mr. CARNEY. What impact would we have?

Mr. VINCENT. We have at this point in the international arena and the domestic U.S. system four to five different levels of security in place. We implement security appropriate to the threat that exists from the area in which a U.S. carrier is operating.

Mr. CARNEY. But the *Achille Lauro* is not a U.S. carrier.

Mr. VINCENT. That is correct.

Mr. CARNEY. So then what is the difference? I am confused.

Mr. VINCENT. In the aviation arena, and this is certainly not as clear as what it would be on a U.S. carrier, but if we felt——

Mr. CARNEY. We do not have a U.S. carrier. We have a foreign carrier going from one foreign port to another foreign port.

Mr. VINCENT. I am sorry, Mr. Chairman, Congressman. I am relating to aviation and not to shipping, and I would respectfully decline to speculate on that particular question because I am totally uninformed on the maritime aspects.

Mr. CARNEY. Let's take the flight from Montreal to Shannon, the one that exploded for whatever reasons, I do not know, Air India. What effect would we have on security of that ship?

Mr. VINCENT. Well, we do require certain security measures for those foreign carriers operating out of the United States because they would carry U.S. citizens.

Mr. CARNEY. But this aircraft could very well have had U.S. citizens on it and it was not flying out of the United States or to the United States.

Mr. VINCENT. Then we do not control those situations.

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Mr. CARNEY. That would be similar to the situation that we had with the *Achille Lauro*. We would have no control over it other than perhaps to inform the American public that is traveling on that aircraft or a vessel of similar situation that we as a country can really not ensure your security or your safety.

Mr. VINCENT. That would be analogous. However, the August 8 act that was signed gives some secondary sanction authority to the Secretary that I would not be totally certain that we would not have some control over U.S. citizens flying in some circumstances out of another country on another carrier.

Mr. CARNEY. Could you describe the particular circumstance where we might have control over it?

Mr. VINCENT. I am saying I am not certain that what we might not have—and the act is so new that I really could not give you any example of where that might apply.

Mr. CARNEY. Would you supply the record with any examples where that might apply?

Mr. VINCENT. Certainly, if I can come up with any.

[Nothing was received at time of printing.]

Mr. CARNEY. Thank you.

Commodore, in your statement you said that many of the procedures that you would implement to enhance security would be procedures that would be very labor intensive and costly. You continue to say that.

> Another element to consider is that the increased security procedures if implemented in the U.S. ports to protect vessels from the terrorist threat would be rendered essentially ineffective if similar security measures are not in place in many foreign ports that the vessel would visit.

Do you think given the fact that these types of security measures become, as you said, labor intensive and expensive that we would get the type of cooperation that we would like to have that would—the level of cooperation necessary to where we could assure Americans traveling on vessels that their safety could be secured?

Commodore ROTS. I believe that would be entirely dependent upon the way the protocols would be written out of the international organization to require vessels, vessel owner operators and ports to implement security procedures.

Mr. CARNEY. Do you know of any U.S.-flagged passenger cruise liner that travels to any foreign ports?

Commodore ROTS. U.S.-flag passenger—inasmuch as there are only two and they operate out of Hawaii, I believe they are just Hawaii junkets and they occasionally go into San Francisco.

Mr. CARNEY. So they do not travel to foreign ports.

Commodore ROTS. Not to my knowledge.

Mr. CARNEY. Any terrorist activity outside the United States would have to take place on a foreign-flag vessel.

Commodore ROTS. Presently, that is correct.

Mr. CARNEY. Which complicates the situation. You said there were 1,500 cruise ships visiting Miami and Fort Lauderdale each year and about 70 into San Francisco. Do you have figures as to how many cruise ships visit U.S. ports in a year?

Commodore ROTS. That was 1,500 visits, not 1,500 ships.

Mr. CARNEY. Visits, yes.

Commodore ROTS. Yes.

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Mr. CARNEY. How many visits would be made to U.S. ports? Do you have any idea?

Commodore ROTS. Total U.S.-port visits?

Mr. CARNEY. Yes.

Commodore ROTS. New York and all?

Mr. CARNEY. Of foreign-flag ships.

Commodore ROTS. Those are the two major ports, Miami and San Francisco. I do not know how many more would be added to that number.

Mr. CARNEY. In San Francisco if we made security measures such that it would take, as indicated before, maybe 16 hours of delays for people to have their valuables screened, do you think we might have like the situation we have with cargo? Would we have passenger ship diversion to, say, Vancouver where an American standard would apply from Cincinnati to Vancouver to take a vessel from Vancouver to somewhere in the Pacific?

Commodore ROTS. I really could not speculate on what the passengers would likely do in a situation like that.

Mr. CARNEY. The thought that occurred to me was if we had, for instance, in the New York cruise, 7-day cruise to Bermuda and the Caribbean, if it was required to have an extensive search each and every time in the three ports, it might be a lot more convenient for me to go up to Montreal or fly to another port to take the cruise, fly perhaps to Bermuda and take the cruise from Bermuda to the Caribbean to avoid this extensive type of security.

The point I am trying to bring out is that very well could have a negative effect on the industry and on our ports. On the other hand, it could have a positive effect because people would feel more secure going through at least one port where the security is very much enhanced.

What I am very much concerned about is where people would take a port of different preference as we see in cargos coming into the United States. We have the diversion of the cargo. We could have diversion of passenger ship industries as well. That would be a concern of mine.

I wonder if you might have any thought about that.

Commodore ROTS. I think you said it all when you said it might be more convenient for you and that is your personal opinion. I believe everyone would have to make their own value judgment on whether or not it personally would be more convenient to do that. You might see a migration of passengers going somewhere else if they thought the harassment of baggage checks and security would be too much.

But it would be expensive to go somewhere else and that might hold them back. There are a variety of things that could be called into play.

Mr. CARNEY. Finally, I would like to ask everyone and perhaps the gentleman from the State Department this question because you are all from the Department of Transportation otherwise.

My question is this: The Senate subcommittee handling your budget has taken $200 million out of your budget, out of the Coast Guard.

On our Investigations and Oversight Subcommittee here in the Merchant Marine and Fisheries Committee, Mr. Hurley, your

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people came in to testify you do not have adequate personnel to control our borders, you do not have adequate personnel to control drug interdiction, not to control it but to perfect drug interdiction to the point where we could stop the illicit drug cargos from coming into the United States through our ports, I might add. Your personnel have a problem where it is; your personnel requirements are needed on the west coast and not on the east coast.

The FAA has the same problem with their personnel, with the restrictions they want. I would like to ask all of you, how do you expect to implement any further programs in this particular area of enforcing tighter security in the cruise ship industry given the considerations of your budget constraints?

Commodore ROTS. Let me respond because I have costed that out. We could not do it at present levels. I need 85 more people and at least $4 million more, if we were going to regulate any kind of security requirements that are similar to what is in place in the aviation industry.

Mr. CARNEY. All right. Would you, as the Coast Guard, be the agency who did the types of work that the FAA does in the aircraft industry?

Commodore ROTS. I believe referring, Mr. Chairman, to your question, that who would be responsible for port security and vessel security, yes.

Mr. CARNEY. You would have your personnel or would the ship companies have their personnel, contract rent-a-cops doing their——

Commodore ROTS. We would be required to see that they maintain a certain level of security. That is what I would be needing the people for. As far as who does security checks, it would not be the Coast Guard. It would be a contract hire.

Mr. CARNEY. That would be somebody else and you would need $4 million annually and 85 more personnel.

Commodore ROTS. That is correct. Two at each captain of the port, approximately, and the money to pay them—salaries and training.

Mr. CARNEY. Would you take that as a priority over, say, the cutbacks that are anticipated in some of your ships?

Commodore ROTS. We follow directions. If that was the priority, yes.

Mr. CARNEY. In the budget process, we all know how that works, yes. The Coast Guard has such input. Would that $4 million perhaps come out of boating safety around Long Island? Would it come out of your auxiliary program, out of personnel from another area where year after year after year—and I am a great supporter and so is the chairman, I might add, of the Coast Guard budget. I have been a supporter of getting it out of DOT, with no disrespect to Mr. Brown.

Commodore ROTS. Tell me what the priorities are and I will tell you what it is coming out of. It has to come out of somewhere. We have only enough to do the missions we have now. If you add a mission, we have to have the funds.

Mr. CARNEY. If your budget were to remain the same, Mr. Hurley, would you take it out of drug interdiction or the border program or what program would you take it out of?

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Mr. HURLEY. Congressman Carney, we view ourselves basically as a can-do agency.

Mr. CARNEY. As a—pardon me?

Mr. HURLEY. As a can-do agency, and I believe——

Mr. CARNEY. Like the Brooklyn Navy Yard? I hope you have a better future than the Brooklyn Navy Yard.

Mr. HURLEY. I think Customs, since 1789, has done what the Nation wanted and, as I indicated in my testimony, we basically view ourselves in a support role in this particular battle which is a very important one. I think that much of the testimony earlier from people with whom I have worked in Baltimore, for example, Colonel Mazzone, focused on preventions. I am very familiar with his work in the Maryland State Police and various agencies there. There is much that can be done in the way of prevention. We heard today a number of suggestions in the area of prevention which I would strongly urge. But we are not the lead agency in this particular problem. I certainly defer to the Coast Guard and FBI and their respective jurisdictions.

Mr. CARNEY. Thank you.

I have one question. Does anyone know how many ships have been hijacked similarly to this particular incident in the last 20 years?

Commodore ROTS. Two. I am told two.

Mr. CARNEY. How many aircraft have been hijacked domestically and in foreign hijacks, say, in the past decade?

Mr. VINCENT. I will have to submit it for the record, but it goes over probably at least 100.

[The information follows:]

HIJACKED AIRCRAFT

During the period January 1, 1976, through October 31, 1985, a total of 293 U.S. and foreign registered aircraft were hijacked, of which 105 hijackings were of U.S. registered aircraft and 188 were of foreign registered aircraft. The year-by-year breakdown of foreign and domestic hijackings is set out below.

HIJACKINGS OF DOMESTIC AND FOREIGN AIRCRAFT—JANUARY 1, 1976 THROUGH OCTOBER 31, 1985

| | United States | Foreign | Total |
|---|---|---|---|
| 1985 (Oct.) | 3 | 15 | 18 |
| 1984 | 7 | 21 | 28 |
| 1983 | 19 | 15 | 34 |
| 1982 | 10 | 22 | 32 |
| 1981 | 8 | 24 | 32 |
| 1980 | 22 | 19 | 41 |
| 1979 | 13 | 14 | 27 |
| 1978 | 13 | 18 | 31 |
| 1977 | 6 | 26 | 32 |
| 1976 | 4 | 14 | 18 |
| Total | 105 | 188 | 293 |

Mr. CARNEY. How many of those do you think would have been domestic?

Mr. VINCENT. Oh, somewhere between at least a third, I would say—no, approximately a third.

Mr. CARNEY. Thirty or thirty-five hijacks in the last 10 years?

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Mr. VINCENT. Easily that, yes, in the decade.

Mr. CARNEY. Thank you.

Thank you, Mr. Chairman.

Mr. BIAGGI. Mr. Secretary.

Mr. KAUZLARICH. If I may, Mr. Chairman, I would like to come back to the question that you asked me initially because I think a slightly fuller answer might clear up an element of uncertainty that I might have introduced.

Concerning your question on existing international conventions, I should add that we would not regard the "private ends" test in the law of piracy as necessarily preventing application of that law to a terrorist incident that otherwise would fall within the definition of piracy in international law. In any case, other international conventions, such as the Hostage Convention which I referred to, can provide an alternative or complementary basis for action in a particular case.

For example, an incident that may take place wholly within a port may well be covered by the Hostage Convention as is, in our view, the *Achille Lauro* incident.

Thank you.

Mr. BIAGGI. So my original concern with the existing piracy convention was justified? It is only alleviated somewhat by the hostage convention as you have stated it; is that correct? Is that what you are telling me?

Mr. KAUZLARICH. No, Mr. Chairman.

We would not regard that as necessarily preventing the application of the piracy convention. In other words, the fact that it—that the private ends issue would arise would not in our view prevent the application.

Mr. BIAGGI. That is the Department of State view?

Mr. KAUZLARICH. Yes.

Mr. BIAGGI. Does any other country share that view, do you know?

Mr. KAUZLARICH. We can provide a fuller answer to that for the record.

[Nothing was received at time of printing.]

Mr. BIAGGI. Thank you very much, gentlemen, for this part of the hearing.

At this point we will ask the public to leave the room and resume the hearing in closed session.

[Whereupon, at 2:31 p.m., the subcommittee adjourned, to reconvene in executive session.]

[The following was received for the record:]

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
*Washington, DC, October 17, 1985.*

To: Members, Subcommittee on Merchant Marine.

From: Majority and minority staff.

Subject: Measures to ensure the security of ports and vessels in the U.S. domestic and international trades.

The Subcommittee on Merchant Marine will hold oversight hearings to explore the sufficiency of security measures currently employed by various segments of the shipping industry. The hearings will focus on current measures employed to protect against terrorist attacks and on additional measures that should be implemented to

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increase the security of ports and vessels in the U.S. domestic and international trades.

## PROBLEM

The recent hijacking of the Italian cruise liner *Achille Lauro*, in the Mediterranean highlights the vulnerability of cruise ships to terrorist attacks. Although it now appears the hijackers did not intend initially to hijack the *Achille Lauro*, they were able to smuggle weapons on board the vessel, and the hijacking resulted in the murder of an American citizen. This vulnerability also extends to cargo vessels. If hijacked, a cargo vessel rigged with explosives would pose severe risks to the operators, crew, port community, and navigation channel.

Security measures, such as passenger and baggage screening, onshore and seagoing personnel screening systems, and restricted access to port areas, are not required by any federal law at this time. Additionally, the issue has been raised whether existing international agreements sufficiently deal with the problem of terrorist attacks on vessels on the high seas.

## BACKGROUND

The Italian-flag cruise liner *Achille Lauro* was hijacked by four Palestine Liberation Front terrorists while at sea off the coast of Egypt on October 7, 1985. The vessel is owned by an Italian Government corporation, Flotto Lauro, and under charter to the Greek Chandris Cruise Lines. The hijackers apparently smuggled weapons on board the ship in Genoa, Italy prior to the beginning of the cruise. Passengers on the vessel have stated that security measures in Genoa were lax. Although the terrorists apparently intended to debark from the vessel in Ashdod, Israel, a crew member of the *Achille Lauro* discovered the terrorists cleaning their weapons and the takeover of the vessel ensued. The vessel was held for three days before negotiations with the hijackers secured the release of the vessel, its passengers and crew. An American citizen was killed by the terrorists prior to the release of the vessel.

The hijacking of the *Achille Lauro* is the first hijacking of a cruise liner to occur since 1961. In January of 1961, the Portuguese-flag cruise liner *Santa Maria* was hijacked by a group of 71 Portuguese and Spaniards protesting the Portuguese dictatorship of Antonio Salazar. The vessel was hijacked at sea off the coast of Curacao, Netherlands Antilles with 962 passengers and a crew of 300 aboard. It took 63 hours for a U.S. naval fleet to locate the vessel after the hijackers announced the takeover. Eventually, U.S. negotiations on behalf of the Portuguese Government succeeded in the release of the vessel. The third officer of the *Santa Maria* was killed during the takeover and other crew members were wounded.

Other incidents have also threatened cruise liners in the past. The British cruise liner, *Queen Elizabeth II*, has been threatened. In 1973, Libyan President Muammar Qaddafi apparently ordered the vessel torpedoed as it sailed toward Haifa, Israel to participate in the celebration of Israel's 25th anniversary as a State. The President of Egypt, Anwar Sadat, was able to prevent the attack from occurring. Also in 1973, a Greek cruise liner sank after a mine exploded in the harbor at Beirut, Lebanon. the Black September Organization, a Palestine Liberation Organization offshoot, took credit for the sinking.

Although no cargo vessels have ever been hijacked, much has been written, on the potential catastrophe if a large crude oil tanker or liquefied natural gas carrier were held hostage. These vessels, because of the highly flammable cargo aboard, have been termed "floating bombs" by some commentators. An explosion on either type of vessel while in a port area could cause many deaths and injuries in the surrounding community and massive economic and environmental damage. One author has estimated that the explosion of an LNG carrier is capable of destroying a large part of a metropolitan area. Additionally, leaking gas from an LNG could cover many square miles and cause death by asphyxiation.

As a response to hijackings of domestic airliners in the 1970's, broad security measures have been implemented at United States airports. The Federal Aviation Administration oversees these operations. The actual operation, the employment of equipment, and security personnel is handled by the airports and carriers. An eight percent passenger tax, as well as federal appropriations, are used to finance FAA oversight, research and development, and the employment of U.S. marshals on aircraft. The expenses associated with metal detectors, x-ray machines, and security personnel are borne by the airports and carriers, and ultimately by the consumer.

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SECURITY ISSUES

There is, at present, no law requiring specific security measures to protect ports, vessels, passengers and crew members from terrorist attack. Any security measures that are undertaken are done on a voluntary basis by the individual ports, cruise lines, and cargo operators. Certain major cruise line companies operating in the United States do undertake security measures. For instance, Royal Caribbean Cruise Lines, a major foreign-flag company operating out of Miami, has had security measures in place for several years. These measures include a pass card identification system for crew members and a boarding pass checking system for passengers. Other major cruise lines and the port of Miami also take similar measures to protect passengers and vessels. Although the major cruise lines have responded voluntarily to the threat of terrorist activity, metal detection or x-ray systems for passengers and baggage are not undertaken by cruise ship operators or ports. Moreover, low-budget cruise operators do not take the same degree of precaution as the larger lines. Additionally, security measures to screen on shore personnel supplying the vessels with food, fuel, repairs, and the like are not formalized. There is no comprehensive system in place to ensure that only authorized persons have access to the vessel. In most ports security measures for cargo vessels are minimal. Access to the port area is generally controlled by only one gatehouse guard and access to the vessel is controlled by the ship's crew.

Distinct from security measures to prevent terrorist incidents is the issue of measures to be taken in the event an incident occurs. The Coast Guard does not have statutory or regulatory authority to require preventive measures. It does, however, have contingency plans for dealing with a terrorist incident if one occurs. The Customs Service, on the other hand, has primary responsibility for controlling the entry and exit of cargo and passengers. It has the authority to search the passengers, crew, baggage, cargo, and vessel. A search, however, is not done on all persons or cargo, but is limited to those incidences where the individual Customs inspector determines a search is warranted.

There are several possible measures that could be taken to ensure greater security in ports and on vessels. Access to port areas could be more tightly controlled. This would heighten security for both passenger and cargo vessels. A form of security clearance for personnel provisioning ships could be required. Supply companies could be required to be bonded or licensed to ensure tighter control over the companies and their employees. A comprehensive identification system could be required, limiting access to companies and employees carrying proper identification. Routine searches of vehicles entering the port could be required. Screening of crew members prior to employment could also be required for both passenger and cargo vessels. These measures could be administered by the vessel operators, the ports, the unions representing various employees, or the local or federal enforcement authorities, either operating individually or in cooperation.

For passenger vessels, in addition to the above-mentioned measures, stricter screening of passengers and baggage could be undertaken. A system, such as that required at airports, could be used. Passengers could be screened by metal detectors prior to boarding the vessel at each port of call and baggage could be x-rayed as it is loaded aboard the vessel. Additionally, U.S. marshals or Coast Guard personnel could be assigned to the vessel, either to screen passengers as they embark or to accompany the vessel on its cruise.

INTERNATIONAL AGREEMENTS

Several international agreements deal with piracy, terrorism, and hostage taking. The Convention on the High Seas grants broad rights to any State to seize and arrest a vessel under the control of pirates. Identical provisions are contained in the Convention on the Law of the Sea. The United States is a party to the Convention on the High Seas, which entered into force in the early 1960's. The United States is not a signatory, however, to the Law of the Sea Convention, which has not yet entered into force.

The provisions relating to piracy in these conventions may not be adequate to cover a terrorist attack on a vessel. The definition of piracy in both conventions is limited to illegal acts "committed for private ends." It is possible that a hijacking or attack on a vessel for political purposes would not fall within these definitions.

The United States is also a party to the Organization of American States Convention on Terrorism. This agreement, ratified by the United States in 1976, calls upon State parties to cooperate in preventing and punishing all illegal acts, regardless of motive. The International Convention Against the Taking of Hostages, to which the United States is a signatory but has not yet ratified, was open for signature by the

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world's nations in 1979. It has not, however, entered into force. This convention also calls upon State parties to cooperate in preventing acts of hostage-taking and in punishing the perpetrators. Additionally, the convention also grants each state the right to establish its jurisdiction over any act committed on board a vessel of its registry.

ISSUES TO BE CONSIDERED

1. Are the current security measures taken voluntarily by U.S. ports and operators utilizing U.S. ports sufficient to protect American lives and property?
2. Should Federal law require that additional security measures be implemented? Should these measures be required of all ports, passenger vessels, and cargo operators?
3. If additional measures are necessary, what type should be implemented? Should they be administered by the private sector, the ports, the Coast Guard, the Customs Service? What role should the Maritime Administration play?
4. What role should the Federal Government play in funding additional measures? Should they be funded by the Federal Government, the ports, the private sector, or both?
5. Are contingency plans developed by the Coast Guard sufficient to react successfully to a terrorist incident in U.S. waters? Should the Department of Defense (DOD) and the Federal Bureau of Investigation (FBI) be involved?
6. Are current procedures between the Coast Guard and individual vessels regarding radio communications and emergency measures in the event of an incident adequate? What, if any, improvements are necessary?
7. Are existing international agreements sufficient to cover terrorism at sea?
8. Should the Convention on the High Seas be reopened to redefine piracy to include political acts?

cc: Members, Committee on Merchant Marine and Fisheries.

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STATEMENT OF HON. GARY ACKERMAN, A U.S. REPRESENTATIVE FROM NEW YORK

Mr. Chairman, the whole world has been shocked and outraged at the brutal and cowardly murder of Leon Klinghoffer and the terrorist pirating of the *Achille Lauro*. As we gather here this morning to discuss how we can defend our ships and their passengers against this kind of despicable affront to civilization, we must redouble our efforts to fight the scourge of terrorism wherever we encounter it.

Mr. Chairman, it is sadly evident that security aboard the world's cruise ships is dangerously inadequate. While airports everywhere painstakingly search baggage, and use x-rays and metal detectors in order to deny access to any would-be hijacker, cruise lines rely on unobtrusive and undependable "background checks" of potential passengers. No tight security measures are currently used to deter potential hijackers once they have passed the ticket counter; indeed, in many cases, anyone can walk onto a ship as a "visitor" and walk off again completely unmolested by a single security officer.

In the wake of the recent events on the Mediterranean, I personally feel that we must act immediately to remove the specter of terrorism from the high seas before another tragedy occurs. It is time for action, not for studies or speeches. As leaders of our Nation, we must act quickly and responsibly to head off this horrifying new threat.

Mr. Chairman, I am moving ahead now with a comprehensive plan which will allow those who choose to travel by sea to have truly calm voyages. I am introducing legislation that would provide strict new security guidelines for American ports. By using as a model the successful security measures that were installed in American airports a decade ago, this legislation would effectively minimize the potential of terror on ships leaving American ports. Meanwhile, until government-sponsored measures are put in place, I am calling on all cruise lines using American ports voluntarily to install metal detectors, x-ray devises, and any additional measures necessary to ensure the safety of their passengers and crews.

In order to protect the lives of Americans overseas, I am also calling on President Reagan to begin negotiating treaties with all maritime nations concerning the safety of their ports and of the cruise lines carrying their flags. By moving without hesitation toward an international solution to this problem, I am certain that we can quickly bring security on board the world's ships up to the standards that we have set in the air.

We must move to ensure that thugs who seek to destroy the fabric of society for their own ends cannot simply walk on board these vessels armed and ready to commit their heinous crimes. But I would like to emphasize that this kind of protec-

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tion will not—must not—take the place of a firm policy of fighting the terrorists themselves. Our interception of the airplane carrying the murderers of the *Achille Lauro* must be only the first step in a new resolve to speak strongly and carry a big stick. Only a policy that is tough on these despicable bandits, only a program of never giving in to terror in the air, on the high seas, or on land, only a plan of decisive action against terrorists can bring us to a day when the stringent measures I am proposing will no longer be needed.

Mr. Chairman, I urge this committee and the entire House of Representatives to take quick action on a program along the lines I have discussed today. Only with immediate, unambiguous action can we ensure that the tragedy of the *Achille Lauro* will be looked back upon as a warning that was heeded, and not as the beginning of a sick, twisted new age of piracy.

Thank you.

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